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

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**VERY SUBSTANTIAL DISPOSAL
AND
NOTICE OF THE EASYKNIT SGM**



EMINENCE ENTERPRISE LIMITED
高山企業有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 616)

**VERY SUBSTANTIAL ACQUISITION,
CONNECTED TRANSACTION,
ISSUE OF CONVERTIBLE NOTE
AND
NOTICE OF THE EMINENCE SGM**

**Eminence Independent Financial Adviser
to the Eminence Independent Board Committee and the Eminence Independent Shareholders**



A letter from the Easyknit Board is set out on pages 10 to 31 of this joint circular.

A notice convening the Easyknit SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 15 February 2023 at 10:00 a.m. is set out on pages N-Easyknit-1 to N-Easyknit-2 of this joint circular. A **white** proxy form for use at the Easyknit SGM is enclosed with this joint circular. Whether or not Easyknit Shareholders intend to attend and vote at the Easyknit SGM in person, Easyknit Shareholders are requested to complete the enclosed **white** proxy form in accordance with the instructions printed thereon and return it to Easyknit'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 48 hours before the time appointed for holding of the Easyknit SGM. Completion and return of the **white** proxy form will not preclude the Easyknit Shareholders from attending and voting in person at the Easyknit SGM or any adjournment thereof (as the case may be) should they so wish and in such event, the **white** proxy form shall be deemed to be revoked.

A letter from the Eminence Board is set out on pages 32 to 61 of this joint circular. A letter from the Eminence Independent Board Committee is set out on pages 62 to 63 of this joint circular. A letter from the Eminence Independent Financial Adviser containing its advice to the Eminence Independent Board Committee and Eminence Independent Shareholders is set out on pages 64 to 103 of this joint 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 Wednesday, 15 February 2023 at 9:00 a.m. is set out on pages N-Eminence-1 to N-Eminence-3 of this joint circular. A **blue** proxy form for use at the Eminence SGM is enclosed. Whether or not Eminence Shareholders intend to attend and vote at the Eminence SGM, Eminence Shareholders are requested to complete the enclosed **blue** proxy form 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 of the Eminence SGM. Completion and return of the **blue** proxy form 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 **blue** proxy form shall be deemed to be revoked.

Hong Kong, 21 January 2023

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DEFINITIONS

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

“2023 Convertible Note”	the 5% per annum coupon rate convertible note proposed to be issued by Eminence in part satisfaction of the Net Purchase Price in the principal amount of HK\$209,000,000 conferring rights to convert at any time before the fifth (5th) anniversary of the issue thereof the principal amount into the Eminence Shares on the basis of an initial conversion price of HK\$0.106 per Conversion Share (subject to adjustments) pursuant to the terms and conditions of the 2023 Convertible Note
“Ace Winner”	Ace Winner Investment Limited (運榮投資有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Easyknit, and a substantial Eminence Shareholder
“Acquisition”	the acquisition by Eminence of the Sale Companies at Completion
“affiliated company”	the meaning ascribed to it in the Listing Rules
“associate”	the meaning ascribed thereto in the Listing Rules
“Bank Loans”	Bank Loan 1 and Bank Loan 2
“Bank Loan 1”	the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit, being approximately HK\$48.3 million in aggregate at 30 September 2022
“Bank Loan 2”	the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Company D, being HK\$77,850,706 in aggregate at 30 September 2022
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business

DEFINITIONS

“BVI”	the British Virgin Islands
“Capital Distribution”	(without prejudice to the generality of that phrase) includes distributions in cash or specie
“Colliers”	Colliers International (Hong Kong) Limited, a property valuer and an Independent Third Party
“Company A”	On Channel International Limited (安昌國際有限公司), a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Easyknit
“Company B”	Day Glory Investment Limited (日興投資有限公司), a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Easyknit
“Company C”	Well Honest Investment Limited (宏誠投資有限公司), a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Easyknit
“Company D”	Asia Million Investment Limited (僑萬投資有限公司), a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Easyknit
“Completion”	completion of the sale and purchase of Sale Shares and Sale Loans under the Sale and Purchase Agreements
“Completion Date”	the date of Completion which will be ten (10) Business Days after the fulfilment or waiver of the last of the Conditions Precedent, or such other date as the parties to the respective Sale and Purchase Agreements may agree in writing
“Conditions Precedent”	the conditions precedent for completion of the Sale and Purchase Agreements summarised in the sub-section headed “Conditions Precedent” in the letter from the Easyknit Board and in the letter from the Eminence Board of this joint circular

DEFINITIONS

“connected person”	the meaning ascribed thereto in the Listing Rules
“Conversion Rights”	the rights attached to 2023 Conversion Note to convert the whole of the principal amount or a part thereof into Eminence Shares
“Conversion Shares”	the Eminence Shares to be allotted and issued by Eminence upon the exercise of the conversion rights attached to the 2023 Convertible Note
“Easyknit”	Easyknit International Holdings Limited (永義國際集團有限公司), 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 Easyknit Directors
“Easyknit Directors”	the directors of Easyknit
“Easyknit Group”	Easyknit and its subsidiaries
“Easyknit Properties”	Easyknit Properties Holdings Limited, a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of Easyknit, being the seller of the Sale Companies
“Easyknit Sale Agreement A”	a conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties and Eminence for, inter alia, the sale by Easyknit Properties and purchase by Eminence of Company A
“Easyknit Sale Agreement B”	a conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties and Eminence for, inter alia, the sale by Easyknit Properties and purchase by Eminence of Company B

DEFINITIONS

“Easyknit Sale Agreement C”	a conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties and Eminence for, inter alia, the sale by Easyknit Properties and purchase by Eminence of Company C
“Easyknit Sale Agreement D”	a conditional sale and purchase agreement dated 30 November 2022 between Easyknit Properties and Eminence for, inter alia, the sale by Easyknit Properties and purchase by Eminence of Company D
“Easyknit Sale Consideration”	HK\$340,000,000
“Easyknit SGM”	the special general meeting of Easyknit to be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the Sale and Purchase Agreements and the transactions contemplated thereunder
“Easyknit Shareholders”	holders of Easyknit Shares
“Easyknit Shares”	ordinary shares of HK\$0.10 each in the share capital of Easyknit
“Eminence”	Eminence Enterprise Limited (高山企業有限公司), 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 Eminence Directors
“Eminence Directors”	the directors of Eminence
“Eminence Group”	Eminence and its subsidiaries

DEFINITIONS

“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 the Eminence Independent Shareholders on the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on the exercise of the conversion rights attached to the 2023 Convertible Note
“Eminence Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed under the Securities and Futures Ordinance to conduct Type 6 regulated activity as defined in that Ordinance, the independent financial adviser appointed by Eminence to advise the Eminence Independent Board Committee and the Eminence Independent Shareholders in relation to the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on the exercise of the conversion rights attached to the 2023 Convertible Note
“Eminence Independent Shareholders”	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, inter alia, the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise of the conversion rights attached to the 2023 Convertible Note
“Eminence Shareholders”	holders of Eminence Shares
“Eminence Shares”	ordinary shares of HK\$0.01 each in the share capital of Eminence
“Eminence Subsidiary”	a company which is for the time being and from time to time a subsidiary of Eminence

DEFINITIONS

“Goodco”	Goodco Development Limited (佳豪發展有限公司), a company incorporated in the BVI with limited liability, and an indirect wholly-owned subsidiary of Easyknit and a substantial Eminence Shareholder
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	in respect of Easyknit, an entity that is independent of Easyknit and its connected persons; and in respect of Eminence, an entity that is independent of Eminence and its connected persons
“Issue Date”	the date of issue of the 2023 Convertible Note, which will be the Completion Date
“Joint Announcement”	the joint announcement jointly published by Easyknit and Eminence dated 14 December 2022 regarding the Sale and Purchase Agreements
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of Easyknit and an Eminence Shareholder
“Latest Practicable Date”	17 January 2023, being the latest practicable date prior to the printing of this joint circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2023 or such other date as the relevant parties may agree
“Net Purchase Price”	the aggregate sum of Purchase Price A, Purchase Price B, Purchase Price C and Purchase Price D

DEFINITIONS

“Post-Transaction Easyknit Group”	the Easyknit Group immediately after Completion
“Post-Transaction Eminence Group”	the Eminence Group immediately after Completion
“PRC”	The People’s Republic of China
“Properties”	Property A, Property B, Property C and Property D
“Property A”	the commercial property held by Company A described in this joint circular
“Property B”	the commercial property held by Company B described in this joint circular
“Property C”	the commercial property held by Company C described in this joint circular
“Property D”	the commercial property held by Company D described in this joint circular
“Purchase Price A”	the sum of Sale Shares A Consideration and Sale Loan A Consideration
“Purchase Price B”	the sum of Sale Shares B Consideration and Sale Loan B Consideration
“Purchase Price C”	the sum of Sale Shares C Consideration and Sale Loan C Consideration
“Purchase Price D”	the sum of Sale Shares D Consideration and Sale Loan D Consideration
“Sale and Purchase Agreements”	the Easyknit Sale Agreement A, the Easyknit Sale Agreement B, the Easyknit Sale Agreement C and the Easyknit Sale Agreement D
“Sale Companies”	Company A, Company B, Company C and Company D
“Sale Loans”	Sale Loan A, Sale Loan B, Sale Loan C and Sale Loan D

DEFINITIONS

“Sale Loan A”	in respect of Company A, the moneys owed by Company A to the Easyknit Group at Completion
“Sale Loan A Consideration”	the amount payable by Eminence for Sale Loan A
“Sale Loan B”	in respect of Company B, the moneys owed by Company B to the Easyknit Group at Completion
“Sale Loan B Consideration”	the amount payable by Eminence for Sale Loan B
“Sale Loan C”	in respect of Company C, the moneys owed by Company C to the Easyknit Group at Completion
“Sale Loan C Consideration”	the amount payable by Eminence for Sale Loan C
“Sale Loans Consideration”	the sum of Sale Loan A Consideration, Sale Loan B Consideration, Sale Loan C Consideration and Sale Loan D Consideration
“Sale Loan D”	in respect of Company D, the moneys owed by Company D to the Easyknit Group at Completion
“Sale Loan D Consideration”	the amount payable by Eminence for Sale Loan D
“Sale Shares”	Sale Shares A, Sale Shares B, Sale Shares C and Sale Shares D
“Sale Shares A”	the entire issued share capital of Company A
“Sale Shares A Consideration”	the amount payable by Eminence for Sale Shares A
“Sale Shares B”	the entire issued share capital of Company B
“Sale Shares B Consideration”	the amount payable by Eminence for Sale Shares B
“Sale Shares C”	the entire issued share capital of Company C
“Sale Shares C Consideration”	the amount payable by Eminence for Sale Shares C

DEFINITIONS

“Sale Shares Consideration”	the sum of Sale Shares A Consideration, Sale Shares B Consideration, Sale Shares C Consideration and Sale Shares D Consideration
“Sale Shares D”	the entire issued share capital of Company D
“Sale Shares D Consideration”	the amount payable by Eminence for Sale Shares D
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a subsidiary for the purposes of the Listing Rules
“substantial shareholder”	the meaning ascribed to it in the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“A\$”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. ft.”	square feet
“%”	per cent.



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

Executive Directors:

Ms. KOON Ho Yan Candy
(President and Chief Executive Director)
Ms. LUI Yuk Chu *(Vice President)*
Mr. TSE Wing Chiu Ricky *(Vice President)*

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

Mr. TSUI Chun Kong
Mr. JONG Koon Sang
Mr. LAU Chak Hang Charles

Principal Place of Business:

Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481–483 Castle Peak Road
Cheung Sha Wan, Kowloon
Hong Kong

21 January 2023

To the Easyknit Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL

1. INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreements.

On 30 November 2022 (after trading hours), Easyknit Properties entered into the Sale and Purchase Agreements with Eminence pursuant to which, amongst other things (i) Easyknit Properties (as the seller) conditionally agreed to sell, and Eminence (as the buyer) conditionally agreed to acquire, the entire issue share capital of each of the Sale Companies (all being indirect wholly-owned subsidiaries of Easyknit); and (ii) Easyknit Properties agreed to procure the assignment of the Sale Loans to Eminence or its nominee, at an aggregate consideration of HK\$340,000,000 less a sum equal to the amount of Bank Loans outstanding at the Completion Date.

LETTER FROM THE EASYKNIT BOARD

The purpose of this joint circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreements and the transactions contemplated thereunder, (ii) valuation report of the Properties; (iii) the financial information of Easyknit Group; (iv) financial information of the Sale Companies; (v) pro forma financial information of the Post-transaction Easyknit Group; (vi) a notice convening the Easyknit SGM; (vii) other information required under the Listing Rules.

2. THE SALE AND PURCHASE AGREEMENTS

The principal terms of the Sale and Purchase Agreements are set out as follows:

Date: 30 November 2022

Parties: Easyknit Properties as seller

Eminence as buyer

2.1 Assets to be disposed of

The Sale Companies are direct wholly-owned subsidiaries of Easyknit Properties and are limited liability companies incorporated in Hong Kong, which in turn are indirect wholly-owned subsidiaries of Easyknit. The sole material asset of each of the Sale Companies is a separate commercial property in Hong Kong.

The Sale and Purchase Agreements relate to the proposed disposal of the entire issued share capital of each of the Sale Companies and the shareholder's loans owing by each of the Sale Companies to the Easyknit Group at Completion.

2.1.1 Easyknit Sale Agreement A

Sale Shares A: The entire issued share capital of Company A

Sale Loan A: The shareholder's loans owing by Company A to the Easyknit Group at Completion

The sole material asset of Company A is Property A, which is Shop A on Ground Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property A is situated within a development completed in 2011. The saleable area of Property A is 1,538 sq. ft.

LETTER FROM THE EASYKNIT BOARD

Property A is subject to a tenancy in favour of an Independent Third Party as at the date of this joint circular for a term expiring on 31 March 2025, at a monthly rent of HK\$75,000 from 1 April 2022 to 31 March 2023 and HK\$78,000 from 1 April 2023 to 31 March 2025, exclusive of Government Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan A amounted to HK\$22,716,913.

The net profit/(loss) (both before and after taxation and extraordinary items) attributable Company A for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the six months ended 30 September
	2021	2022	2022
	HK\$	HK\$	HK\$
	(audited)	(audited)	(unaudited)
Net assets	15,300,431	16,660,996	20,441,883
Net profit/(loss) (before taxation)	(2,243,211)	1,365,494	3,803,989
Net profit/(loss) (after taxation)	(2,243,211)	1,360,565	3,780,887

For more details, please refer to the financial information of Company A set out in Appendix IV — Financial Information of the Sale Companies to this joint circular.

The original acquisition cost of Property A to the Easyknit Group was approximately HK\$24 million. Property A has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property A under Company A in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$43,100,000. Property A was valued at HK\$43,100,000 at 30 November 2022 by Colliers and its valuation report is reproduced in Appendix I.

LETTER FROM THE EASYKNIT BOARD

Purchase Price A

The aggregate of the purchase price for the sale and purchase of Sale Shares A and the assignment of Sale Loan A under the Easyknit Sale Agreement A shall be HK\$44,000,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan A shall be the face value of the total outstanding amount of Sale Loan A as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan A Consideration**”); and
- (ii) the price for the sale of Sale Shares A shall be Purchase Price A less Sale Loan A Consideration minus a sum equal to the amount of bank loan attributable to Property A outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares A Consideration**”).

Purchase Price A was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property A.

Mortgage

Please refer to the details described in the sub-paragraph headed “2.1.3 Easyknit Sale Agreement C — Mortgage” below.

2.1.2 Easyknit Sale Agreement B

Sale Shares B:	The entire issued share capital of Company B
Sale Loan B:	The shareholder’s loans owing by Company B to the Easyknit Group at Completion

The sole material asset of Company B is Property B, which is Shop B on Ground Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property B is situated within a development completed in 2011. The saleable area of Property B is 502 sq. ft.

Property B is subject to a tenancy in favour of an Independent Third Party as at the date of this joint circular for a term expiring on 14 December 2023, at a monthly rent of HK\$50,000 exclusive of Government Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan B amounted to HK\$19,702,259.

LETTER FROM THE EASYKNIT BOARD

The net profit/(loss) (both before and after taxation and extraordinary items) attributable to Company B for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the
	2021	2022	six months
	<i>HK\$</i>	<i>HK\$</i>	ended
	(audited)	(audited)	30 September
			2022
			<i>HK\$</i>
			(unaudited)
Net assets	869,495	1,813,488	4,493,453
Net profit/(loss) (before taxation)	(1,398,088)	943,993	2,679,965
Net profit/(loss) (after taxation)	(1,398,088)	943,993	2,679,965

For more details, please refer to the financial information of Company B set out in Appendix IV — Financial Information of the Sale Companies to this joint circular.

The original acquisition cost of Property B to the Easyknit Group was approximately HK\$20,000,000. Property B has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property B under Company B in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$24,200,000. Property B was valued at HK\$24,200,000 at 30 November 2022 by Colliers and its valuation report is reproduced in Appendix I.

Purchase Price B

The aggregate of the purchase price for the sale and purchase of Sale Shares B and the assignment of Sale Loan B under the Easyknit Sale Agreement B shall be HK\$24,800,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan B shall be the face value of the total outstanding amount of Sale Loan B as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan B Consideration**”); and

LETTER FROM THE EASYKNIT BOARD

- (ii) the price for the sale of Sale Shares B shall be Purchase Price B less Sale Loan B Consideration minus a sum equal to the amount of bank loan attributable to Property B outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares B Consideration**”).

Purchase Price B was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property B.

Mortgage

Please refer to the details described in the sub-paragraph headed “2.1.3 Easyknit Sale Agreement C — Mortgage” below.

2.1.3 Easyknit Sale Agreement C

Sale Shares C: The entire issued share capital of Company C

Sale Loan C: The shareholder’s loans owing by Company C to the Easyknit Group at Completion

The sole material asset of Company C is Property C, which is Shop C on First Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property C is situated within a development completed in 2011. The saleable area of Property C is 1,913 sq. ft.

Property C is subject to a tenancy in favour of an Independent Third Party as at the date of this joint circular for a term expiring on 9 December 2023, at a monthly rent of HK\$63,000 exclusive of Government Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan C amounted to HK\$17,911,313.

LETTER FROM THE EASYKNIT BOARD

The net profit/(loss) (both before and after taxation and extraordinary items) attributable to Company C for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net assets	4,144,137	4,892,886	5,705,866
Net profit/(loss) (before taxation)	(1,359,687)	748,749	812,980
Net profit/(loss) (after taxation)	(1,356,694)	748,749	812,980

For more details, please refer to the financial information of Company C set out in Appendix IV — Financial Information of the Sale Companies to this joint circular.

The original acquisition cost of Property C to the Easyknit Group was approximately HK\$19.7 million. Property C has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property C under Company C in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$23,600,000. The Property C was valued at HK\$23,600,000 at 30 November 2022 by Colliers and its valuation report is reproduced in Appendix I.

Purchase Price C

The aggregate of the purchase price for the sale and purchase of Sale Shares C and the assignment of Sale Loan C under the Easyknit Sale Agreement B shall be HK\$24,200,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan C shall be the face value of the total outstanding amount of Sale Loan C as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan C Consideration**”); and

LETTER FROM THE EASYKNIT BOARD

- (ii) the price for the sale of Sale Shares C shall be Purchase Price C less Sale Loan C Consideration minus a sum equal to the amount of bank loan attributable to Property C outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares C Consideration**”).

Purchase Price C was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property C.

Mortgage

Property A, Property B and Property C are subject to a single mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure Bank Loan 1. As at 30 September 2022, the outstanding loan principal amount plus accrued interest owed by the Easyknit to Hang Seng Bank Limited in relation to Property A, Property B and Property C was HK\$48,283,778. The Eminence Group will mortgage Property A, Property B and Property C to Hang Seng Bank Limited to settle Bank Loan 1 at Completion. The arrangement of new mortgage has been confirmed and is currently being processed with Hang Seng Bank Limited.

2.1.4 Completion

On Completion, Company A, Company B and Company C will become indirect non wholly-owned subsidiaries of Easyknit, and indirect wholly-owned subsidiaries of Eminence.

As Property A, Property B and Property C are subject to a single mortgage loan, any gain or loss arising from completion of Easyknit Sale Agreement A, Easyknit Sale Agreement B and Easyknit Sale Agreement C (which is expected to accrue to Easyknit on Completion) will be calculated and viewed together as single sum. The gain or loss will represent (i) the difference between the purchase price and the net asset value of the respective target companies as at 30 September 2022 and (ii) the respective shareholder’s loans. For illustration, based on the information available up to 30 September 2022, Easyknit expected to record a gain of approximately HK\$2.1 million (reviewed by Easyknit’s reporting accountant). Set out below is a calculation of the gain.

LETTER FROM THE EASYKNIT BOARD

Consideration	Company A, B and C HK\$' million
Property A	44.0
Property B	24.8
Property C	24.2
	93.0
Less: Net assets	
Company A	20.4
Company B	4.5
Company C	5.7
	30.6
Less: Sale Loans	
Sale Loan A	22.7
Sale Loan B	19.7
Sale Loan C	17.9
	60.3
Less: Bank Loan 1 (note)	—
Gain on disposal	2.1

Note: There are no bank loans in individual Company A, B and C. Properties A, B and C were pledged to Hang Seng Bank Limited for a bank loan extended to their ultimate holding company, Easyknit. The outstanding principal plus accrued interest as of 30 September 2022 was HK\$48,283,778.

2.1.5 Easyknit Sale Agreement D

Sale Shares D:	The entire issued share capital of Company D
Sale Loan D:	The shareholder's loans owing by Company D to the Easyknit Group at Completion

LETTER FROM THE EASYKNIT BOARD

The sole material asset of Company D is Property D, which is a shop on Ground Floor of No. 50 Yun Ping Road, Hong Kong. Property D is situated within a development completed in 1954. The gross floor area of Property D is approximately 1,200 sq. ft.

Property D is subject to a tenancy in favour of an Independent Third Party as the date of this joint circular for a term expiring on 13 September 2023, at a monthly rent of HK\$200,000 inclusive of Government Rent, but exclusive of Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan D amounted to HK\$290,647,517.

The net loss (both before and after taxation and extraordinary items) attributable to Company D for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	HK\$	HK\$	2022
	(audited)	(audited)	(unaudited)
Net liabilities	(117,499,761)	(126,665,388)	(127,378,351)
Net (loss) (before taxation)	(41,276,963)	(9,165,627)	(712,963)
Net (loss) (after taxation)	(41,278,115)	(9,165,627)	(712,963)

For more details, please refer to the financial information of Company D set out in Appendix IV — Financial Information of the Sale Companies to this joint circular.

The original acquisition cost of Property D to the Easyknit Group was approximately HK\$380.1 million. Property D has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property D under Company D in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$241,700,000. Property D was valued at HK\$241,700,000 at 30 November 2022 by Colliers and its valuation report is reproduced in Appendix I.

LETTER FROM THE EASYKNIT BOARD

Purchase Price D

The aggregate of the purchase price for the sale and purchase of Sale Shares D and the assignment of Sale Loan D under the Easyknit Sale Agreement D shall be HK\$247,000,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan D shall be the face value of the total outstanding amount of Sale Loan D as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan D Consideration**”); and
- (ii) the price for the sale of Sale Shares D shall be Purchase Price D less Sale Loan D Consideration minus a sum equal to the amount of Bank Loan 2 outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares D Consideration**”).

Purchase Price D was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property D.

Mortgage

Property D is subject to a mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure Bank Loan 2. As at 30 September 2022, the outstanding loan principal amount plus accrued interest owed by Company D to Hang Seng Bank Limited was HK\$77,850,706. The Eminence Group will mortgage Property D to Hang Seng Bank Limited to settle Bank Loan 2 at Completion. The arrangement of new mortgage has been confirmed and is currently being processed with Hang Seng Bank Limited.

Completion

On Completion, Company D will become an indirect non wholly-owned subsidiary of Easyknit and an indirect wholly-owned subsidiary of Eminence.

Any gain or loss arising from completion of Easyknit Sale Agreement D is expected to accrue to Easyknit on Completion. The gain or loss will represent the excess or deficit of Purchase Price D over or below the net asset value of Company D as at 30 September 2022, adjusted to take into account the indebtedness to Hang Seng Bank Limited under Bank Loan 2 and Sale Loan D. For illustration, based on the information available up to 30 September 2022, Easyknit is expected to record a gain of approximately HK\$6.0 million (reviewed by Easyknit’s reporting accountant). Set out below is calculation of the loss.

LETTER FROM THE EASYKNIT BOARD

	Consideration	Company D <i>HK\$' million</i>
	Property D	247.0
Add:	Net liabilities Company D	127.4
Less:	Sale Loan D	290.6
Less:	Bank Loan 2	77.8
	Gain on disposal	6.0

2.1.6 Completion at consolidation level of Easyknit

As at 30 September 2022, 51.60% of the Eminence shares then in issue were held by the Easyknit Group. For illustration, based on the information available up to 30 September 2022, Easyknit expects to record a loss of \$1.7 million at consolidation level of Easyknit.

Set out below is a calculation of the loss.

		<i>HK\$' million</i>
	Gain on disposals of Company A, Company B and Company C	2.1
	Gain on disposal of Company D	6.0
	Sub-total	8.1
	Adjustments on the disposals of Company A, Company B, Company C and Company D at consolidation level of Easyknit	
Less:	Elimination (note)	8.1
Less:	Estimated transaction costs directly attributable to the disposal	1.7
	Loss on disposal at consolidation level of Easyknit	(1.7)

LETTER FROM THE EASYKNIT BOARD

Note: The Disposal is an intercompany transaction and eliminated in the consolidation level of Easyknit Group.

2.2 Easyknit Sale Consideration

2.2.1 Net purchase price and settlement arrangement

The Net Purchase Price of HK\$214,000,000 (being the aggregate consideration of HK\$340,000,000 less the total principal amount of outstanding Bank Loans) shall be paid by Eminence to Easyknit Properties in the following manner:

- (i) sums of HK\$500,000 in aggregate (the “**Deposit**”), being approximately 0.23% of the Net Purchase Price, were paid in cash by Eminence to Easyknit Properties upon the signing of the Sale and Purchase Agreements;
- (ii) sums of HK\$4,500,000 in aggregate (the “**Cash Consideration**”), being approximately 2.1% of the Net Purchase Price shall be paid in cash by Eminence to Easyknit Properties or its nominee and the Deposits shall be retained by Easyknit Properties as part of the Net Purchase Price, on the Completion Date; and
- (iii) the balance of the Net Purchase Price of HK\$209,000,000 (the “**Balance**”) will be satisfied by the issue of the 2023 Convertible Note by Eminence to Easyknit Properties or its nominee on the Completion Date.

The Net Purchase Price of HK\$214,000,000 (being the aggregate consideration of HK\$340,000,000 less the total principal amount of outstanding Bank Loans amounting to approximately HK\$126,000,000) will be financed by issue of the 2023 Convertible Note in a principal amount of HK\$209,000,000 and a cash consideration of HK\$5,000,000.

The sale consideration was determined after arm’s length negotiations between the parties to the Sale and Purchase Agreements with reference to, among others, the property valuation of the Properties.

The valuation of the Properties was carried out by Colliers, a valuer independent of Easyknit and its connected persons. Colliers is independent from Easyknit having no business and/or cooperation with Easyknit Group except providing property valuation service on a case-by-case basis.

LETTER FROM THE EASYKNIT BOARD

Colliers originated in Canada, expanding its presence to the United States of America in 1984 and is now operating in 63 countries in real estate services and investment management. Its Hong Kong valuation & advisory services team provides advice on real estate investment and development. Its property valuation is delivered in compliance with ISO: 9001:2015, The Royal Institution of Chartered Surveyors (RICS) and The Hong Kong Institute of Surveyors (HKIS) standards.

The date of valuation of the Properties was 30 November 2022. The Properties have been valued by a suitably qualified and competent team of Colliers comprising experts having sufficient experience to carry out valuation of the relevant size and nature.

The valuation methodology in accordance with The Hong Kong Institute of Surveyors' HKIS Valuation Standards and the Royal Institution of Chartered Surveyors' RICS Valuation — Global Standards, incorporating the International Valuation Standards Council's International Valuation Standards. In any valuation analysis, three approaches, namely the cost approach, the direct comparison approach and the income approach, must be considered and the approach considered to be most relevant will then be selected for use in the fair value analysis of that asset.

For the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry, and other risks specific to the asset being valued. As the future economic benefit stream and the discount rate requires various assumptions and is subject to various uncertainties such as economic environment in the future due to the current market conditions, the adoption of the income approach for the Properties may not be appropriate.

Cost approach will only be considered when there is no public market information available. In addition, under the cost approach, the value is established based on the land costs and the costs of construction in reproducing the property, but without taking into account the market conditions. Given that there is public market information available in relation to disposal of comparable property, the adoption of cost approach to the Properties may not be appropriate.

Given the income approach and cost approach may not be appropriate for valuation of the Properties, Colliers has adopted the market approach which consists of comparison based on prices realised of comparable properties. In analysing such sales, which qualify as arm's length transactions between willing buyers and sellers, adjustments are made to reflect differences between the comparables and the subject of the valuation in matters such as transaction dates, sizes, location, quality, age and any other relevant factors, to assess the value of the subject asset.

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This approach is commonly used to value assets where reliable sales evidence is available. The valuation was derived from the comparable properties of similar size, character, location, age and any other relevant factors were weighed against their respective advantages and drawbacks. All of the comparables are located in Hong Kong and in proximity to the Properties. The sizes and ages of the comparables used in the direct comparison approach, the completion of each comparable were ranged from 3 years to 56 years and the saleable area of the comparables ranged from approximately 271 sq. ft to 4,441 sq. ft. Given (i) the average saleable floor area of the retail shops in the Properties is within the range of the comparables; and (ii) the age of the completion of each comparables is similar to that of the Properties, the Easyknit Board is of the view that the comparables sale transactions referenced by Colliers in the valuation of the Properties are fair and reasonable. For details of the valuation of the Properties in particular, the valuation standards, basis, assumptions, approach and method, inspections, investigations and source of information, please refer to the property valuation report as set out in Appendix I to this circular.

The Easyknit Board taking into account of the property valuation report by Colliers, and being of the view that the comparables sale transactions referenced by Colliers in the valuation of the Properties are fair and reasonable, considers the sale consideration is fair and reasonable on normal commercial terms and in the interest of Easyknit and its shareholders as a whole.

2.2.2 Miscellaneous

Under the Sale and Purchase Agreements, Easyknit Properties has agreed to give certain indemnities, including in respect of stamp duty, profit tax and property tax arising from the activities of each of the Sale Companies prior to the completion of the Sale and Purchase Agreements which is not disclosed in the accounts of each of the Sale Companies.

Principal Terms of the 2023 Convertible Note

The principal terms of the 2023 Convertible Note are summarised in Appendix IX to this joint circular.

Conditions Precedent

Completion of the Sale and Purchase Agreements is conditional upon the fulfilment of the following conditions:

1. Eminence having completed its due diligence review on the business, financial, legal and other aspect of the Sale Companies and the Properties and being reasonably satisfied with the results thereof and Easyknit Properties having delivered to Eminence a report in form and substance reasonably satisfactory to Eminence to the effect that the

LETTER FROM THE EASYKNIT BOARD

relevant Sale Company is in a position to prove and give title to the relevant Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) subject to certain agreed encumbrances;

2. Eminence having obtained the requisite approval from the Eminence Independent Shareholders in a general meeting in relation to (i) the purchase of the Sale Shares and assignment of the Sale Loans and (ii) the issue of the 2023 Convertible Note and issue and allotment of the Conversion Shares on conversion of the 2023 Convertible Note (if required) in the manner required under the Listing Rules;
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in a general meeting in relation to the sale of the Sale Shares and assignment of the Sale Loans in the manner required under the Listing Rules;
4. the Stock Exchange having granted to Eminence a listing of, and permission to deal in, the Conversion Shares on the exercise of the conversion rights attached to the 2023 Convertible Note;
5. the consents and approvals (if any) required under security arrangements affecting the Sale Companies in respect of the transactions contemplated under the Sale and Purchase Agreements having been obtained in form and substance reasonably satisfactory to Eminence; and
6. a contractual commitment from bank(s) to lend funds sufficient to repay Bank Loan 1 and Bank Loan 2 release the mortgage in favour of Hang Seng Bank Limited securing Bank Loan 1 and Bank Loan 2 respectively, in form and substance reasonably satisfactory to Eminence.

Conditions Precedent 2, 3, 4 and 5 above cannot be waived. In the event condition 1 above is not fulfilled (or waived by Eminence) on or before the Long Stop Date, Eminence may elect to terminate all but not some only of the Sale and Purchase Agreements in which case, all rights, obligations and liabilities of the parties under the Sale and Purchase Agreements shall terminate and neither of the parties shall have any claim against the other in respect of the Sale and Purchase Agreements but without prejudice to the accrued rights and obligations of the parties before that termination. Conditions Precedent 6 can be waived by Easyknit Properties and Eminence but will unlikely be waived as external financing will be required by Eminence for the acquisition of the Properties.

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At the Latest Practicable Date, none of the Conditions Precedent had been satisfied. If any of the Conditions Precedent has not been fulfilled or, where applicable, waived on or before the Long Stop Date, the Sale and Purchase Agreements will lapse and the parties thereto will be released from all obligations therein, save for liabilities for any antecedent breaches of the Sale and Purchase Agreements.

Completion

Completion is expected to take place on 20 February 2023, which is ten (10) Business Day after the (and excluding the day of) fulfilment (or waiver) of the Conditions Precedent (or such other date as the parties to the Sale and Purchase Agreements may agree in writing).

Upon Completion, each of the Sale Companies will become an indirect non wholly-owned subsidiary of Easyknit and an indirect wholly-owned subsidiary of Eminence, the financial results of the Sale Companies will be included in the consolidated accounts of the Easyknit Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENTS AND USE OF PROCEEDS

The disposal of the Properties through the sale of the Sale Companies is part of Easyknit's defensive strategy to prudently preserve its cash flow not to carry on paying (out of its own cash resources) the sums necessary to finance the related net cash outflows. The disposal of the Properties (i) will result in a realised gain of approximately HK\$8.1 million for Easyknit and its shareholders; (ii) will result in a gross cash inflow at Completion of approximately HK\$5 million for Easyknit and its shareholders; (iii) will provide Easyknit with a regular income stream by way of interest on the 2023 Convertible Note; (iv) will reduce Easyknit's cash outlays for the Properties, which collectively exceed rental income whilst Easyknit's attributable interest through Eminence will allow it to continue to participate indirectly in the benefits of ownership of the Properties without having to finance associated cash outflows from its own resources; (v) will reduce significantly financial exposure of Easyknit and thus its shareholders to the Properties; and (vi) will sharpen the focus of Easyknit on the residential market. After the disposal, the cash follows will be financed from resources of Eminence, without affecting the cash resources of Easyknit itself.

Taking into account the loss on disposal of the Sale Companies at the consolidated level of Easyknit and that the cash outlays of bank loan principal and interest repayment for the Properties of approximately HK\$1.9 million per month collectively exceed their rental income of approximately HK\$0.4 million per month, the Easyknit Directors consider that the disposal of Sale Companies will result in improving the cashflow and reduce cash outlays of approximately HK\$1.9 million per month for Easyknit and Easyknit's attributable interest through Eminence will

LETTER FROM THE EASYKNIT BOARD

allow it to continue to participate indirectly in the benefits of ownership of the Properties without having to finance associated cash flows from its own resources. The terms of the Sale and Purchase Agreements have been determined after arm's lengths negotiations between the parties thereto and the Easyknit Directors are of the view that the Sale and Purchase Agreements are on normal commercial terms, which are fair and reasonable and in the interests of the Easyknit Shareholders as a whole. The proceeds of approximately HK\$5 million from the disposal of the Sale Companies shall be applied towards administrative expenses of the Easyknit Group and are expected to be utilized within 3 months after the Completion.

As at the date of this circular, Easyknit has no plans to change its existing principal businesses as well as engaged in property development, securities investment and loan financing businesses, it would still be engaged in property investment business after the Completion while exploring other potential projects with a view to providing steady and favourable returns for the Easyknit Shareholders and bring increased growth to the Easyknit Group.

Please find below the remaining property investment portfolio owned by Easyknit after the disposal of the Sale Companies:

Location	Purpose	Approximate gross floor/saleable area
Block A on Seventh Floor and Car Parking Space No. L11, No. 481 Castle Peak Road, Cheung Sha Wan, Kowloon	Industrial	11,874
Block B1 and portion of Block B on Seventh Floor, No. 481 Castle Peak Road, Cheung Sha Wan, Kowloon	Industrial	6,992

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Location	Purpose	Approximate gross floor/saleable area
Shops 1, 2, 3 on Ground Floor Together with showcase on Ground Floor, First Floor and Second Floor of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon	Commercial	13,544
Car Parking Space No. 407, 4/F, Capital Centre, No. 151 Gloucester Road, Wanchai	Commercial	N/A

The Easyknit Board considers that the disposal of Sale Companies will have no material effect on the operations and assets of the Easyknit Group as with its relatively small percentage ratios under Chapter 14 of the Listing Rules: asset ratio of 3.72%, profit ratio of 0.45% and revenue ratio of 1.33%. Easyknit Group will have a sufficient level of operations and assets of sufficient value after the Completion to justify its listing.

POSSIBLE EFFECT ON EARNINGS

The Easyknit Group's profit for the year ended 31 March 2022, attributable to the Easyknit Shareholders was approximately HK\$979,437,000. As presented in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Post-Transaction Easyknit Group as set out in Appendix V to this joint circular, had the Sale and Purchase Agreements been completed on 1 April 2021, the Post-Transaction Easyknit Group's profit for the year attributable to the Easyknit Shareholders would have been approximately HK\$983,814,000. According to the unaudited pro forma consolidated statement of financial position of the Post-Transaction Easyknit Group as set out in Appendix V to this joint circular, the net assets of the Group will decrease to approximately HK\$4,933,000,000 (30 September 2022: approximately HK\$4,935,000,000) with net assets value per share of approximately HK\$66.67 (30 September 2022: approximately HK\$66.70) respectively; and total assets will decrease to approximately HK\$8,931 million (30 September 2022: approximately HK\$8,933 million) and total liabilities will remain unchanged of approximately HK\$3,998,000,000 (30 September 2022: approximately HK\$3,998,000,000).

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According to the unaudited pro forma consolidated statement of cash flow of the Post-Transaction Easyknit Group as set out in Appendix V to this joint circular, bank balances and cash of the Group will increase from approximately HK\$184,425,000 for the year ended 31 March 2022 to approximately HK\$185,975,000. Details are set out in Appendix V to this joint circular.

INFORMATION ABOUT EASYKNIT AND EMINENCE

The Easyknit Group is principally engaged in the property development, property investment, investment in securities and others and loan financing businesses. The Easyknit Group currently holds various commercial, industrial and residential properties in Hong Kong. The Easyknit Group owns several residential properties held for redevelopment for sale. The investment property of the Easyknit Group is real estate property that has been purchased with the intention of earning a return on the investment, either through rental income, the future resale of the property or both. Easyknit together with its subsidiaries owns approximately 51.60% of the issued share capital of Eminence at the date of this joint circular.

The Eminence Group is principally engaged in property development, property investment, investment in securities and others and the loan financing businesses. The Eminence Group's real estate activities focus on the industrial and non-residential sector.

LISTING RULES IMPLICATIONS

As one or more of the percentage ratios applicable to the sale of the Sale Companies exceeds 75%, that sale is a very substantial disposal for Easyknit and the Sale and Purchase Agreements are subject to the reporting, announcement and the Easyknit Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Easyknit SGM will be convened for the Easyknit Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements and the transactions contemplated thereunder. Ms. Lui Yuk Chu (an executive Easyknit Director and a substantial Easyknit Shareholder and also an executive Eminence Director) shall abstain from voting at the Easyknit SGM. To the best knowledge, information and believe of the Easyknit Directors and having made reasonable enquiries, no other Easyknit Shareholder is involved in or interested in the Sale and Purchase Agreements and the transactions contemplated thereunder which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreements and the transaction contemplated thereunder at the Easyknit SGM. To the best knowledge, information and belief of the Easyknit Directors and having made reasonable enquiries, Eminence and/or its associates do not hold any Easyknit Shares as at the date of this joint circular.

LETTER FROM THE EASYKNIT BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of Easyknit will be closed from 10 February 2023 to 15 February 2023 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the Easyknit SGM, during which period no transfer of shares of Easyknit will be registered. In order to be eligible to attend and vote at the Easyknit SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar and Transfer Office of Easyknit, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the “**Hong Kong Share Registrar**”) for registration not later than 4:30 p.m. on 9 February 2023.

EASYKNIT SGM

The Easyknit SGM will be convened and held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 15 February 2023 at 10:00 for the Easyknit Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactional contemplated thereunder. A notice convening the Easyknit SGM is set out on page N-Easyknit-1 to N-Easyknit-2 of this joint circular. A **white** proxy form for use at the Easyknit SGM is enclosed.

Whether or not they are able to attend the Easyknit SGM, Easyknit Shareholders are requested to complete the enclosed **white** proxy form in accordance with the instructions printed thereon and return it to Easyknit’s Hong Kong Share Registrar as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the Easyknit SGM.

Completion and return of the **white** proxy form will not preclude Easyknit Shareholders from attending and voting in person at the Easyknit SGM or any adjournment thereof should they so wish.

RECOMMENDATION

The Easyknit Board considers that the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of Easyknit and the Easyknit Shareholders as a whole. Accordingly, the Easyknit Directors (including the independent non-executive Directors) recommend the Easyknit Shareholders to vote in favour of the resolution to be proposed at the Easyknit SGM to approve the Sale and Purchase Agreements and the transactions contemplated thereunder.

LETTER FROM THE EASYKNIT BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this joint circular.

Yours faithfully,
By order of the Easyknit Board
Easyknit International Holdings Limited
Koon Ho Yan Candy
President and Chief Executive Officer

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

21 January 2023

To the Eminence Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION,
CONNECTED TRANSACTION,
ISSUE OF CONVERTIBLE NOTE
AND
NOTICE OF THE EMINENCE SGM**

INTRODUCTION

Reference is made to the Joint Announcement. The purpose of this joint circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreements and the transactions contemplated thereunder; (ii) financial information on the Post-Transaction Eminence Group; (iii) an independent property valuation report on the Properties; (iv) a letter of recommendation from the Eminence Independent Board Committee to the Eminence Independent

LETTER FROM THE EMINENCE BOARD

Shareholders; (v) a letter of recommendation to the Eminence Independent Board Committee and the Eminence Independent Shareholders from the Eminence Independent Financial Adviser; (vi) a notice convening the Eminence SGM; and (vii) other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENTS

On 30 November 2022 (after trading hours), Easyknit Properties, a wholly-owned subsidiary of Easyknit, entered into the Sale and Purchase Agreements with Eminence, pursuant to which amongst other things, (i) Easyknit Properties (as the seller) conditionally agreed to sell, and Eminence (as the buyer) conditionally agreed to acquire, the entire issued share capital of each of the Sale Companies (all being indirect wholly-owned subsidiaries of Easyknit); and (ii) Easyknit Properties agreed to procure the assignment of the Sale Loans to Eminence or its nominee, at an aggregate consideration of HK\$340,000,000 less a sum equal to the amount of Bank Loans outstanding at the Completion Date on a dollar-for-dollar basis. On Completion, each of the Sale Companies will become an indirect non wholly-owned subsidiary of Easyknit and an indirect wholly-owned subsidiary of Eminence.

Key terms of the Sale and Purchase Agreements are summarised below.

Date: 30 November 2022

Parties: Easyknit Properties (as seller)
Eminence (as buyer)

Assets to be acquired: The Sale Companies are direct wholly-owned subsidiaries of Easyknit Properties and are limited liability companies incorporated in Hong Kong, which in turn are indirect wholly-owned subsidiaries of Easyknit. The sole material asset of each of the Sale Companies is a separate commercial property in Hong Kong.

The Sale and Purchase Agreements relate to the proposed acquisition by Eminence of the entire issued share capital of each of the Sale Companies and the shareholder's loans owing by each of the Sale Companies to the Easyknit Group at Completion.

1. Easyknit Sale Agreement A

Sale Shares A: The entire issued share capital of Company A

LETTER FROM THE EMINENCE BOARD

Sale Loan A: The shareholder's loans owing by Company A to the Easyknit Group at Completion

The sole material asset of Company A is Property A, which is Shop A on Ground Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property A is situated within a development completed in 2011. The saleable area of Property A is 1,538 sq. ft.

Property A is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 31 March 2025, at a monthly rent of HK\$75,000 from 1 April 2022 to 31 March 2023 and HK\$78,000 from 1 April 2023 to 31 March 2025, exclusive of Government Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan A amounted to HK\$22,716,913.

The net profit/(loss) (both before and after taxation and extraordinary items) attributable to Company A for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) (before taxation)	(2,243,211)	1,365,494	3,803,989
Net profit/(loss) (after taxation)	(2,243,211)	1,360,565	3,780,887
			As at
	As at 31 March		30 September
	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net assets	15,300,431	16,660,996	20,441,883

For more details, please refer to the financial information of Company A set out in appendix IV — Financial Information of the Sale Companies to this joint circular.

LETTER FROM THE EMINENCE BOARD

The original acquisition cost of Property A to the Easyknit Group was approximately HK\$24,000,000. Property A has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property A under Company A in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$43,100,000. Property A was valued at HK\$43,100,000 at 30 November 2022 by Colliers and its valuation report on the Properties is set out in appendix I to this joint circular.

Purchase Price A

The aggregate of the purchase price for the sale and purchase of Sale Shares A and the assignment of Sale Loan A under the Easyknit Sale Agreement A shall be HK\$44,000,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan A shall be the face value of the total outstanding amount of Sale Loan A as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan A Consideration**”); and
- (ii) the price for the sale of Sale Shares A shall be Purchase Price A less Sale Loan A Consideration minus a sum equal to the amount of bank loan attributable to Property A outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares A Consideration**”).

Purchase Price A was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property A.

Mortgage

Please refer to the details described in the sub-paragraph headed “3. Easyknit Sale Agreement C — Mortgage” below.

2. Easyknit Sale Agreement B

Sale Shares B: The entire issued share capital of Company B

LETTER FROM THE EMINENCE BOARD

Sale Loan B: The shareholder's loans owing by Company B to the Easyknit Group at Completion

The sole material asset of Company B is Property B, which is Shop B on Ground Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property B is situated within a development completed in 2011. The saleable area of Property B is 502 sq. ft.

Property B is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 14 December 2023, at a monthly rent of HK\$50,000 exclusive of Government Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan B amounted to HK\$19,702,259.

The net profit/(loss) (both before and after taxation and extraordinary items) attributable to Company B for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the six months ended 30 September
	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) (before taxation)	(1,398,088)	943,993	2,679,965
Net profit/(loss) (after taxation)	(1,398,088)	943,993	2,679,965
			As at
	As at 31 March		30 September
	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net assets	869,495	1,813,488	4,493,453

For more details, please refer to the financial information of Company B set out in appendix IV — Financial Information of the Sale Companies to this joint circular.

LETTER FROM THE EMINENCE BOARD

The original acquisition cost of Property B to the Easyknit Group was approximately HK\$20,000,000. Property B has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property B under Company B in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$24,200,000. Property B was valued at HK\$24,200,000 at 30 November 2022 by Colliers and its valuation report on the Properties is set out in appendix I to this joint circular.

Purchase Price B

The aggregate of the purchase price for the sale and purchase of Sale Shares B and the assignment of Sale Loan B under the Easyknit Sale Agreement B shall be HK\$24,800,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan B shall be the face value of the total outstanding amount of Sale Loan B as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan B Consideration**”); and
- (ii) the price for the sale of Sale Shares B shall be Purchase Price B less Sale Loan B Consideration minus a sum equal to the amount of bank loan attributable to Property B outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares B Consideration**”).

Purchase Price B was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property B.

Mortgage

Please refer to the details described in the sub-paragraph headed “3. Easyknit Sale Agreement C — Mortgage” below.

3. Easyknit Sale Agreement C

Sale Shares C: The entire issued share capital of Company C

LETTER FROM THE EMINENCE BOARD

Sale Loan C: The shareholder's loans owing by Company C to the Easyknit Group at Completion

The sole material asset of Company C is Property C, which is Shop C on First Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property C is situated within a development completed in 2011. The saleable area of Property C is 1,913 sq. ft.

Property C is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 9 December 2023, at a monthly rent of HK\$63,000 exclusive of Government Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan C amounted to HK\$17,911,313.

The net profit/(loss) (both before and after taxation and extraordinary items) attributable to Company C for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) (before taxation)	(1,359,687)	748,749	812,980
Net profit/(loss) (after taxation)	(1,356,694)	748,749	812,980
			As at
	As at 31 March		30 September
	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net assets	4,144,137	4,892,886	5,705,866

For more details, please refer to the financial information of Company C set out in appendix IV — Financial Information of the Sale Companies to this joint circular.

LETTER FROM THE EMINENCE BOARD

The original acquisition cost of Property C to the Easyknit Group was approximately HK\$19.7 million. Property C has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property C under Company C in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$23,600,000. Property C was valued at HK\$23,600,000 at 30 November 2022 by Colliers and its valuation report on the Properties is set out in appendix I to this joint circular.

Purchase Price C

The aggregate of the purchase price for the sale and purchase of Sale Shares C and the assignment of Sale Loans C under the Easyknit Sale Agreement C shall be HK\$24,200,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan C shall be the face value of the total outstanding amount of Sale Loan C as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loans C Consideration**”); and
- (ii) the price for the sale of Sale Shares C shall be Purchase Price C less Sale Loan C Consideration minus a sum equal to the amount of bank loan attributable to Property C outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares C Consideration**”).

Purchase Price C was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property C.

Mortgage

Property A, Property B and Property C are subject to a single mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure Bank Loan 1. As at 30 September 2022, the outstanding loan principal amount plus accrued interest owed by Easyknit to Hang Seng Bank Limited in relation to Property A, Property B and Property C was HK\$48,283,778. The Eminence Group will mortgage Property A, Property B and Property C to Hang Seng Bank Limited to settle Bank Loan 1 at Completion. The arrangement of new mortgage has been confirmed and is currently being processed with Hang Seng Bank Limited.

LETTER FROM THE EMINENCE BOARD

Completion

On Completion, Company A, Company B and Company C will become indirect non wholly-owned subsidiaries of Easyknit, and indirect wholly-owned subsidiaries of Eminence.

4. Easyknit Sale Agreement D

Sale Shares D: The entire issued share capital of Company D

Sale Loan D: The shareholder's loans owing by Company D to the Easyknit Group at Completion

The sole material asset of Company D is Property D, which is a shop on Ground Floor of No. 50 Yun Ping Road, Hong Kong. Property D is situated within a development completed in 1954. The gross floor area of Property D is approximately 1,200 sq. ft.

Property D is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 13 September 2023, at a monthly rent of HK\$200,000 inclusive of Government Rent, but exclusive of Rates, management fees and utility charges.

As at 30 September 2022, Sale Loan D amounted to HK\$290,647,517.

The net loss (both before and after taxation and extraordinary items) attributable to Company D for the two years ended 31 March 2022 and for the six months ended 30 September 2022 prepared under HKFRS were as follows:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net (loss) (before taxation)	(41,276,963)	(9,165,627)	(712,963)
Net (loss) (after taxation)	(41,278,115)	(9,165,627)	(712,963)

LETTER FROM THE EMINENCE BOARD

	As at 31 March		As at 30 September
	2021	2022	2022
	HK\$	HK\$	HK\$
	(audited)	(audited)	(unaudited)
Net liabilities	(117,499,761)	(126,665,388)	(127,378,351)

For more details, please refer to the financial information of Company D set out in appendix IV — Financial Information of the Sale Companies to this joint circular.

The original acquisition cost of Property D to the Easyknit Group was approximately HK\$380.1 million. Property D has been held by the Easyknit Group for more than twelve (12) months.

Valuation

The value of Property D under Company D in the books of Easyknit as at 30 September 2022, the date of its latest unaudited published accounts, was HK\$241,700,000. Property D was valued at HK\$241,700,000 at 30 November 2022 by Colliers and its valuation report on the Properties is set out in appendix I to this joint circular.

Purchase Price D

The aggregate of the purchase price for the sale and purchase of Sale Shares D and the assignment of Sale Loan D under the Easyknit Sale Agreement D shall be HK\$247,000,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan D shall be the face value of the total outstanding amount of Sale Loan D as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan D Consideration**”); and
- (ii) the price for the sale of Sale Shares D shall be the Purchase Price D less the Sale Loan D Consideration minus a sum equal to the amount of Bank Loan 2 outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares D Consideration**”).

Purchase Price D was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property D.

LETTER FROM THE EMINENCE BOARD

Mortgage

Property D is subject to a mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure Bank Loan 2. As at 30 September 2022, the outstanding loan principal amount plus accrued interest owed by Company D to Hang Seng Bank Limited was HK\$77,850,706. The Eminence Group will mortgage Property D to Hang Seng Bank Limited to settle Bank Loan 2 at Completion. The arrangement of new mortgage has been confirmed and is currently being processed with Hang Seng Bank Limited.

Completion

On Completion, Company D will become an indirect non wholly-owned subsidiary of Easyknit, and an indirect wholly-owned subsidiary of Eminence.

5. Other Salient Terms of the Sale and Purchase Agreements

Conditions Precedent

Completion of the Sale and Purchase Agreements is conditional upon the fulfilment of the following conditions:

1. Eminence having completed its due diligence review on the business, financial, legal and other aspect of the Sale Companies and the Properties and being reasonably satisfied with the results thereof and Easyknit Properties having delivered to Eminence a report in form and substance reasonably satisfactory to Eminence to the effect that the relevant Sale Company is in a position to prove and give title to the relevant Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) subject to certain agreed encumbrances;
2. Eminence having obtained the requisite approval from the Eminence Independent Shareholders in a general meeting in relation to (i) the purchase of the Sale Shares and assignment of the Sale Loans and (ii) the issue of the 2023 Convertible Note and issue and allotment of the Conversion Shares on conversion of the 2023 Convertible Note (if required) in the manner required under the Listing Rules;
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in a general meeting in relation to the sale of the Sale Shares and assignment of the Sale Loans in the manner required under the Listing Rules;

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4. the Stock Exchange having granted to Eminence a listing of, and permission to deal in, the Conversion Shares on the exercise of the Conversion Rights attached to the 2023 Convertible Note;
5. the consents and approvals (if any) required under security arrangements affecting the Sale Companies in respect of the transactions contemplated under the Sale and Purchase Agreements having been obtained in form and substance reasonably satisfactory to Eminence; and
6. a contractual commitment from bank(s) to lend funds sufficient to repay Bank Loan 1 and Bank Loan 2 release the mortgages in favour of Hang Seng Bank Limited securing Bank Loan 1 and Bank Loan 2 respectively, in form and substance reasonably satisfactory to Eminence.

Conditions 2, 3, 4 and 5 above cannot be waived. In the event condition 1 above is not fulfilled (or waived by Eminence) on or before the Long Stop Date, Eminence may elect to terminate all but not some only of the Sale and Purchase Agreements in which case, all rights, obligations and liabilities of the parties under the Sale and Purchase Agreements shall terminate and neither of the parties shall have any claim against the other in respect of the Sale and Purchase Agreements but without prejudice to the accrued rights and obligations of the parties before that termination. Condition 6 above can be waived by Easyknit Properties and Eminence but will unlikely be waived as external financing will be required by Eminence for the Acquisition.

If any of the Conditions Precedent has not been fulfilled or, where applicable, waived on or before the Long Stop Date, the Sale and Purchase Agreements will lapse and the parties thereto will be released from all obligations therein, save for liabilities for any antecedent breaches of the Sale and Purchase Agreements.

Subject to the fulfilment or waiver where permitted of all above Conditions Precedent of the Sale and Purchase Agreements, Completion is expected to take place on 20 February 2023 which is ten (10) Business Days after (and excluding the day of) fulfilment (or waiver) of the Conditions Precedent (or such other date as the parties to the Sale and Purchase Agreements may agree in writing). As at the Latest Practicable Date, none of the Conditions Precedent to the Sale and Purchase Agreements had been fulfilled.

Net Purchase Price and settlement arrangement

As at the Latest Practicable Date, the aggregate principal amount of outstanding Bank Loans amounts to approximately HK\$126,000,000.

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The Net Purchase Price of HK\$214,000,000 (being the aggregate consideration of HK\$340,000,000 less the total principal amount of outstanding Bank Loans) shall be paid by Eminence to Easyknit Properties in the following manner:

- (i) sums of HK\$500,000 in aggregate (the “**Deposit**”), being approximately 0.23% of the Net Purchase Price, were paid in cash by Eminence to Easyknit Properties upon the signing of the Sale and Purchase Agreements;
- (ii) sums of HK\$4,500,000 in aggregate (the “**Cash Consideration**”), being approximately 2.1% of the Net Purchase Price shall be paid in cash by Eminence to Easyknit Properties or its nominee and the Deposit shall be retained by Easyknit Properties as part of the Net Purchase Price, on the Completion Date; and
- (iii) the balance of the Net Purchase Price of HK\$209,000,000 (the “**Balance**”) will be satisfied by the issue of the 2023 Convertible Note by Eminence to Easyknit Properties or its nominee on the Completion Date.

The Net Purchase Price of HK\$214,000,000 (being the aggregate consideration of HK\$340,000,000 less the total principal amount of outstanding Bank Loans amounting to approximately HK\$126,000,000) will be financed by an issue of the 2023 Convertible Note in a principal amount of HK\$209,000,000 and a cash consideration of HK\$5,000,000.

The Eminence Board has reviewed and assessed the qualifications, experience and track record of Colliers. Based on information provided by Colliers, Ms. Stella Ho, Executive Director of Valuation and Advisory Services of Colliers and the signatory of the valuation report on the Properties, who is also responsible for the valuation report on the Properties, is a member of the Royal Institution of Chartered Surveyors and RICS Registered Valuer, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyor (General Practice), Listed Valuer for undertaking valuation for incorporation or reference in listing particulars and circulars and valuation in connection with takeovers and mergers, a member of China Institute of Real Estate Appraisers and Agents (MCIREA) and Registered Real Estate Appraiser. She specializes in valuation and has worked in the real estate sector for over twenty (20) years. Her work experience spans Asia Pacific, with a focus on Hong Kong, Macau and the PRC, she has also worked on projects in Myanmar, Philippines, Indonesia, Malaysia and Thailand. The Eminence Board is of the view that she is qualified to provide reliable opinions in the valuation report. Based on this information, the Eminence Directors are of the view that Colliers is qualified and competent to perform the property valuation work of the Properties. Colliers has confirmed their independence from the Eminence Group.

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The Eminence Board has reviewed the valuation report on the Properties and considered the valuation methodology and key assumptions adopted by Colliers. As disclosed in the valuation report on the Properties as set out in appendix I to this joint circular, Colliers has valued the Properties based on the market approach which provides an indication of value by comparing the subject assets with identical or similar assets for which price information is available. In analyzing such sales, which qualify as arm's-length transactions between willing buyers and sellers, adjustments are made to reflect differences between the comparables and the subject of this valuation in matters such as transaction dates, size, location, quality, age and any other relevant factors, to assess the value of the subject assets. This approach is commonly used to value assets where reliable sales evidence is available. Comparisons based on transactions on actual sales of comparable properties have been made. Comparable properties with similar character, location, sizes and so on are analyzed and carefully weighed against all respective advantages and disadvantages of the Properties in order to arrive at the fair comparison of values.

As information about the relevant properties sale transactions is available in the open market, the Eminence Board has assessed these comparable properties of relevant properties sale transactions, use and similar location, and therefore the Eminence Directors are of the view that the comparable properties sale transactions adopted by Colliers is comparable to the Properties and the market approach adopted by Colliers is fair and reasonable. As the key assumptions adopted by Colliers in the valuation of the Properties are general assumptions commonly adopted in assets valuation and are common for transactions of similar nature, the Eminence Directors consider the key assumptions adopted by Colliers to be fair and reasonable. Based on the above analysis, taking into account the valuation of the Properties, the Eminence Directors are of the view that the Easyknit Sale Consideration is fair and reasonable and in the interests of Eminence and the Eminence Shareholders as a whole.

Miscellaneous

Under the Sale and Purchase Agreements, Easyknit Properties has agreed to give certain indemnities, including in respect of stamp duty, profit tax and property tax arising from the activities of each of the Sale Companies prior to the completion of the Sale and Purchase Agreements which is not disclosed in the accounts of each of the Sale Companies.

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2023 CONVERTIBLE NOTE

The principal terms of the 2023 Convertible Note are summarised in appendix IX to this joint circular.

The initial conversion price of HK\$0.106 per Conversion Share (subject to adjustments) represents:

- (i) a premium of approximately 47.22% over the closing price of HK\$0.072 per Eminence Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 43.24% over the closing price of HK\$0.074 per Eminence Share as quoted on the Stock Exchange on 30 November 2022, being the date of Sale and Purchase Agreements;
- (iii) a premium of approximately 45.21% over the average closing price of approximately HK\$0.073 per Eminence Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the date of Sale and Purchase Agreements;
- (iv) a premium of approximately 47.02% over the average closing price of approximately HK\$0.0721 per Eminence Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the date of Sale and Purchase Agreements;
- (v) a premium of approximately 46.41% over the average closing price of approximately HK\$0.0724 per Eminence Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the date of Sale and Purchase Agreements; and
- (vi) a discount of approximately 92.89% over the unaudited net asset value per Eminence Share of approximately HK\$1.49 as at 30 September 2022 based on the 2,125,924,676 Eminence Shares in issue as at 30 September 2022.

In determining the conversion price, the Eminence Directors have reviewed the closing prices of the Eminence Shares during the period from 1 June 2022 and up to and including 30 November 2022, being the date of the Sale and Purchase Agreements (the “**Review Period**”). The Eminence Directors consider that the Review Period could reflect the most recent trend of the prevailing market price of the Eminence Shares and the closing prices of the Eminence Shares fluctuated within the range from HK\$0.069 per Eminence Share to HK\$0.105 per Eminence Share. The

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average closing price of the Eminence Shares was approximately HK\$0.082 during the Review Period. The Conversion Price of HK\$0.106 represents a premium of approximately 29.27% over the average closing price of the Eminence Shares during the Review Period.

The Eminence Directors have reviewed the Eminence Share price performance against the net asset value per Eminence Share during the twelve (12)-month period from December 2021 to November 2022 (the “**Period**”). The Eminence Directors noticed that, during the Period, the Eminence Shares have been constantly trading at discounts to the then net asset value per Eminence Share. The discounts to the then net asset value per Eminence Share ranged from approximately 88.3% to 96.6%, with an average of approximately 94.6%. With respect to the conversion price, the discount of approximately 92.89% over the unaudited net asset value per Eminence Share of approximately HK\$1.49 as at 30 September 2022 based on the 2,125,924,676 Eminence Shares in issue as at 30 September 2022 is therefore lower than the average and within the range of the discounts of the net asset value per Eminence Share during the Period. In assessing the fairness and reasonableness of the discount of approximately 92.89% over the unaudited net asset value per Eminence Share based on the conversion price, apart from the historical Eminence Share performance, the Eminence Directors have also reviewed the historical trading volume of the Eminence Shares. During the period from December 2021 to the Latest Practicable Date, the percentage of average daily trading volume to total number of Eminence Shares issued ranged from approximately 0.00023% to 0.00549%, with an average of approximately 0.00139%. The average daily trading volume of the Eminence Share is considered to be relatively thin.

Set out below is the comparable discount of the conversion price to net asset value per share of transactions in relation to issue of convertible note(s) by other companies listed on the Stock Exchange during the review period from September 2019 to November 2022. The comparable analysis is conducted on some recent issues of convertible notes by companies listed on the Stock Exchange at a discount of conversion price to net asset value per share over a three (3)-year period prior to the date of the Sale and Purchase Agreements through published information on the website of the Stock Exchange as a general reference of current market trends.

Stock code	Name of listed company	Date of circular	Conversion price	Net asset value	Discount of
				per share	conversion price
				(approximately)	to net asset value
					per share
					(approximately)
1540	Left Field Printing Group Limited	23 November 2022	A\$0.14	A\$0.21	33.33%

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Stock code	Name of listed company	Date of circular	Conversion price	Net asset value per share <i>(approximately)</i>	Discount of conversion price to net asset value per share <i>(approximately)</i>
821	Value Convergence Holdings Limited	1 September 2020	HK\$0.20	HK\$0.53	62.26%
619	South China Financial Holdings Limited	15 May 2020	HK\$0.22	HK\$2.77	92.06%
8067	Oriental University City Holdings (H.K.) Limited	20 September 2019	HK\$2.30	HK\$6.44	64.29%

The Eminence Directors have made references to the above comparable transactions as announced by other companies listed on the Stock Exchange prior to the date of the Sale and Purchase Agreements (the “**Comparable Transactions**”) and noted that the respective discounts of the Comparable Transactions. Considering that the Eminence Shares had been traded at the discount of approximately 92.89% to the unaudited net asset value per Eminence Share of HK\$1.49 as at 30 September 2022 based on the 2,125,924,676 Eminence Shares in issue as at 30 September 2022, the Eminence Board is of the view that the prevailing market is a more relevant factor in determining the fairness and reasonableness of the conversion price. Discount of conversion price to net asset value per Eminence Share should be taken as a reference only and the current market price of the Eminence Shares directly reflects the value of the Eminence Shares that is generally perceived by the market. In the securities trading market, the trading price is derived from the supply and demand which reflects the fair value and acceptable trading price in the market. Given that the Eminence Shares were traded at a deep discount to the net asset value per Eminence Share throughout the Review Period, and the market price of the Eminence Shares has already reflected the expectations of the investors about Eminence (such as its financial results and corporate actions) and the recent market sentiment, the Eminence Directors are of the view that it is reasonable to make references to the prevailing market price of the Eminence Shares, rather than the net asset value per Eminence Share in determining the conversion price and that the discount of the conversion price to the net asset value per Eminence Share which reflects the fair value of the Eminence Share is justifiable.

Set out below is the comparable price-to-book ratios of other companies listed on the Stock Exchange on a best effort basis based on the selection criteria with reference to their principal businesses engaged in properties and scale of market capitalization similar to those of Eminence.

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Stock code	Name of listed company	Principal business	Price-to-book ratio <i>(Note 1)</i> <i>(approximately)</i>	Market capitalization <i>(Note 2)</i> <i>HK\$' million</i> <i>(approximately)</i>
616	Eminence	property development, property investment, investment in securities and others, and loan financing	0.05	172.2
230	Minmetals Land Limited	real estate development, specialised construction, property investment and securities investment	0.12	2,376.3
497	CSI Properties Limited	property development and investment, and securities investment	0.11	1,517.8
1243	Wang On Properties Limited	property development, property investment and asset management	0.17	866.4
199	ITC Properties Group Limited	property development and investment, hotel investment and management and leisure business, securities investments and loan financing	0.22	893.6
35	Far East Consortium International Limited	property development, property investment, hotel operations and management, car park operations, gaming operations, securities and financial product investments, and provision of mortgage services	0.31	4,684.4

Notes:

1. The price-to-book ratio is calculated by dividing the market price per share by the net asset value (as extracted from the latest published interim report of the respective listed company) per share as at the relevant period end date.
2. The market capitalization is calculated by multiplying the closing market price per share by the number of issued shares of the respective listed company as at the relevant period end date.

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With reference to the above comparables, the Eminence Board has made references to the comparable price-to-book ratios of other companies listed on the Stock Exchange based on the selection criteria of their principal businesses engaged in properties and scale of market capitalization similar to those of Eminence and the Eminence Directors noted that the price-to-book ratio of Eminence is close to the range of the comparables ranged from 0.12 to 0.31. The Eminence Board considers that the price-to-book ratio should be taken as a reference only and the prevailing market price is a more relevant factor in determining the fairness and reasonableness of the conversion price (subject to adjustments), and the current market price of the Eminence Shares directly reflects the value of the Eminence Shares that is generally perceived by the market having taken into account all business segments of the Eminence Group as well as the prevailing market conditions. As such, the Eminence Directors consider the initial conversion price (subject to adjustments) is fair and reasonable and in the interests of Eminence and the Eminence Shareholders as a whole.

The Eminence Board has also considered alternative financing methods, including equity fund raising methods by way of a rights issue or an open offer and bank borrowing to finance the Acquisition.

With respect to equity fund raising methods by way of a rights issue or an open offer, the Eminence Directors are of the view that though it would not immediately dilute the interests of the Eminence Shareholders if all the Eminence Shareholders take up the offer, yet it is considered to be relatively costly as Eminence will have to engage professional parties which would incur additional professional fees and administrative costs of an estimate of not less than approximately HK\$1,000,000. Furthermore, in view of the comparatively thin trading volume of the Eminence Shares, it would be difficult for Eminence to pursue equity financing in the capital market without providing considerable discount to the prevailing market price of the Eminence Shares so as to attract potential investors and/or existing Eminence Shareholders, whereas having more dilution impact to the Eminence Shareholders as compared to the issue of the 2023 Convertible Note which will not cause any dilution unless and until it is converted. In addition, a rights issue or an open offer of new Eminence Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clauses in favour of the underwriter and may generally incur higher transaction costs (i.e. underwriting commission and other related fees).

In addition, the Eminence Directors have further considered raising funds through the disposal of assets, such as the properties held for development for sale held by the Eminence Group which were valued at the amount of approximately HK\$3,105 million as at 30 September 2022. The Eminence Board is of the view that it is not a suitable time to dispose of such properties for the purpose of settling the Balance, taking into account (i) the uncertainties and disruptions caused by the COVID-19 outbreak; (ii) the high transaction costs involved in the disposal of such

LETTER FROM THE EMINENCE BOARD

properties (i.e. agent's commission of approximately 1% of the transaction amount); and (iii) the lengthy process in identifying purchasers of the properties which may range from three (3) months to one (1) year, or even longer (as the case may be) depending on the market condition.

Ability to obtain bank borrowing usually depends on the profitability and financial positions of Eminence as well as the prevailing market condition, and may be subject to lengthy due diligence procedures and internal risk assessment by and negotiations with banks which usually require pledges of assets. Having considered that the latest effective interest rates of bank borrowing quoted from three (3) banks in Hong Kong ranged from 5.6% to 6.6% per annum, the five (5)-year term interest rate of short-term bank financing currently with an increasingly high level of interest rates of over 5% while the interest rates of 5% per annum in the 2023 Convertible Note falls below the range, the Eminence Directors are of the view that, the settlement of part of the aggregate consideration by issuing the 2023 Convertible Note is a more viable option to Eminence which incurs less interest expense and avoids the substantial administrative works and costs as compared to those in obtaining bank borrowing. On the other hand, the debt component of the 2023 Convertible Note will become equity if there is a conversion, which implies that there will be no increase in the borrowing or conversion and therefore no impact to the gearing ratio of Eminence.

Having considered that the issue of the 2023 Convertible Note (i) enables Eminence to capture this investment opportunity in a timely manner; (ii) allows Eminence to have an additional financing option without significant immediate cash outflows; (iii) prevents Eminence offering deep discount to the prevailing market price of the Eminence Shares; and (iv) prevents Eminence to dispose of the properties held for development for sale with high transaction costs involved, the Eminence Board is of the view that such benefits outweigh the dilution impact on the minority Eminence Shareholders upon the full exercise of the 2023 Convertible Note.

Having considered the above alternative financing methods, including equity fund raising methods by way of a rights issue or an open offer and bank borrowing, it was concluded that the issue of the 2023 Convertible Note is a good alternative form of financing. Specifically, equity fund raising methods by way of a rights issue or an open offer would immediately dilute the interests of the Eminence Shareholders, whilst the 2023 Convertible Note will not do so unless and until it is converted, and it will provide a five (5)-year term of fixed-cost funding in contrast to shorter-term bank financing currently with an increasingly high level of interest rate of over 5%. The Eminence Directors were of the opinion that the issue of the 2023 Convertible Note should offer more flexibility in the amount raised and timing of application, as well as lower cost of borrowing than obtaining further bank loans.

LETTER FROM THE EMINENCE BOARD

Assuming that the Conversion Rights in relation to the total principal amount of the 2023 Convertible Note being HK\$209,000,000 are exercised in full at the initial conversion price of HK\$0.106 per Conversion Share (subject to adjustments), a total of 1,971,698,113 Conversion Shares will be allotted and issued, representing approximately 92.7454% of the issued share capital of Eminence at the Latest Practicable Date and approximately 48.1181% of the issued share capital of Eminence as enlarged by the allotment and issue of such Conversion Shares and assuming that save for the issue of the Conversion Shares, there will be no change to the issued share capital of Eminence from the Latest Practicable Date up to and including the date of issue of such Conversion Shares.

Based on all the above, the Eminence Board is of the view that the prevailing market price (subject to adjustments) is a more relevant factor in determining the fairness and reasonableness of the initial conversion price. Discount to net asset value should be taken as a reference only. The Eminence Directors have considered that the current market price of the Eminence Shares directly reflects the value of the Eminence Shares that is generally perceived by the market having taken into account all business segments of the Eminence Group as well as the prevailing market conditions. Therefore, as mentioned above, the initial conversion price (subject to adjustments) which reflects the current market price of the Eminence Shares and the principal terms of the 2023 Convertible Note were determined by taking into account, among others, the recent trading performance of the Eminence Shares, the financial position of Eminence, the maturity and interest rate, and alternative financing methods. The Eminence Directors (including the Eminence Independent Board Committee whose views are set out in the letter from the Eminence Independent Board Committee in this joint circular) are of the view that the initial conversion price (subject to adjustments) and the principal terms of the 2023 Convertible Note are on normal commercial terms, and fair and reasonable and in the interests of Eminence and the Eminence Shareholders as a whole.

Application for listing

Application has been made by Eminence to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for the listing of the 2023 Convertible Note on the Stock Exchange or any other stock exchange and no application will be made for the listing of the Conversion Shares on any other stock exchange.

SHAREHOLDING STRUCTURE

A total of 1,971,698,113 Conversion Shares will be allotted and issued upon full conversion of the 2023 Convertible Note at the initial conversion price of HK\$0.106 per Conversion Share (subject to adjustments). The table below sets out the shareholding structure of Eminence as at the

LETTER FROM THE EMINENCE BOARD

Latest Practicable Date and the structure as it will be on the assumptions that there is no change in the number of Eminence Shares in issue and the Conversion Rights attached to the 2023 Convertible Note have been fully exercised.

Eminence Shareholders	As at the		Immediately upon the full	
	Latest Practicable Date		exercise of the 2023	
			Convertible Note	
	<i>Number of</i>		<i>Number of</i>	
	<i>Eminence</i>		<i>Eminence</i>	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Substantial Eminence Shareholders				
The Easyknit Group and associates:				
Easyknit	27,000,000	1.2700	27,000,000	0.6589
Ace Winner	484,538,175	22.7919	484,538,175	11.8249
Goodco*	562,231,961	26.4465	2,533,930,074	61.8390
Landmark Profits	23,387,370	1.1001	23,387,370	0.5708
Sub-total	1,097,157,506	51.6085	3,068,855,619	74.8936
Public Eminence Shareholders				
Hu Rong	47,030,000	2.2122	47,030,000	1.1477
Others	981,737,170	46.1793	981,737,170	23.9587
Sub-total	1,028,767,170	48.3915	1,028,767,170	25.1064
Total	2,125,924,676	100.0000	4,097,622,789	100.0000

* *expected to be the holder of the 2023 Convertible Note*

INFORMATION ABOUT EASYKNIT AND EMINENCE

The Easyknit Group is principally engaged in the property development, property investment, investment in securities and others and loan financing businesses. The Easyknit Group currently holds various commercial, industrial and residential properties in Hong Kong and Singapore. The Easyknit Group owns several residential properties held for development for sale. The investment property of the Easyknit Group is real estate property that has been purchased with the intention of earning a return on the investment, either through rental income, the future resale of the property or both. Easyknit together with its subsidiaries own approximately 51.60% of the issued share capital of Eminence at the Latest Practicable Date.

LETTER FROM THE EMINENCE BOARD

The Eminence Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses. The Eminence Group's real estate activities focus on the industrial and non-residential sector.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENTS

The Acquisition through acquisition of the Sale Companies is part of Eminence's core business of property investment and the Eminence Directors believe that the Acquisition will enhance its portfolio of real estate assets at attractive prices in view of the current market conditions. They also believe that the retail property market will improve over the next few years. In deciding whether to proceed with the Acquisition, the Eminence Board considered with legal advisers the litigation or judgements relating to areas outside the Properties has concluded and disclosed in the valuation report by Colliers stating that the Properties are free from and clear of any and all charges, liens and encumbrances, and came to the view that such litigation has no material impact on the Acquisition. The Eminence Directors recommend that the Acquisition is with an intention of earning a return on the property investment through rental income on the existing tenancies of the Properties upon expiry and/or for future sale of the Properties. As at the Latest Practicable Date, the Properties are intended to be held for rental purpose unless opportunity arises when there are potential buyers then future sale of the Properties will be considered. Eminence will make further announcement(s) in accordance with the Listing Rules as and when appropriate. Taking into account the valuation report on the Properties by Colliers, the Eminence Board considers that the Easyknit Sale Consideration is fair and reasonable and the Sale and Purchase Agreements are in the interests of the Eminence Group and are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of Eminence and the Eminence Shareholders as a whole. As at the Latest Practicable Date, Eminence has no further commitment into the Properties after Completion and Eminence has no present intention or plan, or has entered into any agreement, arrangement, undertaking or negotiation to acquire new businesses or dispose of its existing businesses. Eminence will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

Whilst Eminence is a non wholly-owned subsidiary of Easyknit, Eminence and Easyknit are separate legal and financial entities, separately listed with separate groups of shareholders. The Sale Companies will remain indirect subsidiaries of Easyknit through Eminence after the disposal, and will be included in the consolidated accounts of Easyknit, but they will then be non wholly-owned subsidiaries of Easyknit and the financial exposure of Easyknit and thus its shareholders to the Properties will be reduced significantly. Whilst Easyknit will retain an attributable interest in the Properties through Eminence they will become assets of Eminence managed only for the benefit of Eminence Shareholders as a whole.

LETTER FROM THE EMINENCE BOARD

The Eminence Directors reviewed cashflow impacts on the acquisition of the Properties and financial information of the Sale Companies to take into account the loss making position of the Sale Companies and the net liabilities position of Company D during the track record period and the reporting accountants' emphasis of matter on going concern in assessing the fairness and reasonableness of the Acquisition.

The Eminence Directors consider the Acquisition to be an opportunity to expand its portfolio of retail assets without significant immediate cash outflows through the issue of the 2023 Convertible Note, at a price that is attractive. Whilst the Hong Kong retail property market is undergoing difficult times, they believe that in the longer term the market will improve and Eminence will benefit accordingly. In particular, whilst the cash outflows of Property D of approximately HK\$915,000 per month at present exceed the cash inflows of approximately HK\$200,000 per month and will therefore reduce the cash resources of Eminence, the Eminence Directors consider that it is able to finance the outflows for the foreseeable future and believe that it will be able to enhance cash inflows and enjoy capital gains over the longer term.

Ms. Lui Yuk Chu (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 Sale and Purchase Agreements and the 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.

EFFECTS OF THE ACQUISITION ON EARNINGS AND ASSETS AND LIABILITIES OF THE EMINENCE GROUP

As presented in the unaudited pro forma financial information of the Post-Transaction Eminence Group as set out in appendix VI to this joint circular, assuming the Completion took place, the Post-Transaction Eminence Group's profit for the year attributable to the Eminence Shareholders would decrease from approximately HK\$116,447,000 to approximately HK\$91,850,000; bank balances and cash would decrease by approximately HK\$5,131,000; and total assets would increase from approximately HK\$5,035,900,000 to HK\$5,363,571,000 and total liabilities will increase from approximately HK\$1,868,818,000 to HK\$2,148,905,000.

LETTER FROM THE EMINENCE BOARD

FUND-RAISING ACTIVITIES OF EMINENCE IN THE PAST TWELVE (12) MONTHS

Date of announcement	Equity fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the Latest Practicable Date
30 March 2022	Placing of new shares under general mandate	Approximately HK\$18,380,000	For the Eminence Group's general working capital	All proceeds were fully utilised as intended use
27 July 2022	Placing of new shares under specific mandate	Approximately HK\$40,800,000	For the Eminence Group's general working capital	Approximately HK\$32,400,000 has been used as intended and remaining balance of approximately HK\$8,400,000 will be used by February 2023.

Save as disclosed above, Eminence has not conducted any fund-raising activities in the twelve (12) months immediately before the Latest Practicable Date.

PUBLIC FLOAT

The 2023 Convertible Note will impose restrictions on conversion to the extent that the conversion would lead to Eminence breaching the public float requirement under the Listing Rules.

At the Latest Practicable Date, Easyknit and certain of its subsidiaries held in aggregate approximately 51.60% of the issued voting shares in Eminence.

Upon full conversion of the 2023 Convertible Note at the initial conversion price of HK\$0.106 per Conversion Share (subject to adjustments), a total of 1,971,698,113 Conversion Shares would be issued, representing approximately 48.1181% of the issued share capital of Eminence as enlarged by that issue and assuming no other change in the number of issued Eminence Shares.

LETTER FROM THE EMINENCE BOARD

The table show in the section headed “SHAREHOLDING STRUCTURE” above illustrates the existing shareholdings of Easyknit and certain of its subsidiaries in Eminence and the effect on their shareholdings in Eminence assuming full exercise at the initial conversion price of HK\$0.106 of the Conversion Rights under the 2023 Convertible Note.

Eminence is mindful of the public float requirement under the Listing Rules and the requirements of the Takeovers Code, and will comply with the relevant Listing Rules and that Code, if and when necessary, particularly when considering whether the Conversion Rights under any or all of the 2023 Convertible Note should be exercised.

LISTING RULES IMPLICATIONS

Chapter 14

As one or more of the percentage ratios applicable to the purchase of the Sale Companies exceeds 100%, that purchase is a very substantial acquisition for Eminence and the Sale and Purchase Agreements are subject to the reporting, announcement and the Eminence Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Chapter 14A

Easyknit Properties is a wholly-owned subsidiary of Easyknit and thus a member of the Easyknit Group. Easyknit together with its subsidiaries own approximately 51.60% of the issued share capital of Eminence at the Latest Practicable Date. As members of the Easyknit Group are substantial shareholders of Eminence and connected persons of Eminence, each of the Sale and Purchase Agreements constitutes a connected transaction for Eminence.

As one or more of the applicable percentage ratios applicable to the purchase of the Sale Companies exceeds 25% and the total consideration exceeds HK\$10,000,000, the Sale and Purchase Agreements are subject to the reporting, announcement, and the Eminence Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Eminence SGM will be convened for the Eminence Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreements. Only the Eminence Independent Shareholders will be entitled to vote on the resolution (i) to approve the Sale and Purchase Agreements and the transactions contemplated thereunder; and (ii) to approve the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note, at the Eminence SGM.

LETTER FROM THE EMINENCE BOARD

The Easyknit Group and its associates (which together controlled or were entitled to exercise control over voting rights of 51.60% of the Eminence Shares at the Latest Practicable Date will abstain from voting, at the Eminence SGM on the resolution approving (i) the Sale and Purchase Agreements and the transactions contemplated thereunder; and (ii) the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note.

Waiver from strict compliance with Rule 14.06B

Following the close of a general offer on 21 April 2021, Easyknit's shareholding in Eminence increased from approximately 29.60% to approximately 71.86% and it thus regained control (as defined in the Takeovers Code) of Eminence, The Acquisition falls within a "bright line" test under Rule 14.06B of the Listing Rules as it involves a very substantial acquisition from Easyknit within 36 months from the change in control it is potentially a reverse takeover.

Eminence considers that this is purely a technicality. Applying the factors listed in Note 1 to Rule 14.06B of the Listing Rules it is apparent there is no attempt to circumvent the requirements for new applicants: (a) Easyknit has at all times since 2013 been the single largest substantial shareholder who is able to exercise effective control over Eminence. the Acquisition will not result in a change in control (as defined in the Takeovers Code) and there has been no change in de facto control of Eminence; (b) the Acquisition is not "completely different" from Eminence's existing business. It is an acquisition of assets that is in keeping with, and there is no fundamental change in, Eminence's principal business; and (c) the Acquisition is small relative to the size of Eminence: the asset ratio in Chapter 14 of the Listing Rules is only 6.6%.

The proposed acquisition of the Sale Companies will provide Eminence considerable benefits, details of which are set out in the section headed "REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENTS" in this joint circular.

Based on the above, Eminence has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.06B of the Listing Rules and the Stock Exchange has granted the waiver.

EMINENCE INDEPENDENT BOARD COMMITTEE AND EMINENCE INDEPENDENT FINANCIAL ADVISER

Eminence has established the Eminence Independent Board Committee comprising three (3) independent non-executive Eminence Directors, being Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, to advise the Eminence Independent Shareholders on (i) the Sale and Purchase Agreements and the transactions contemplated thereunder; and (ii) the issue of the 2023 Convertible Note and of the Conversion Shares on exercise of the Conversion Rights attached to it.

LETTER FROM THE EMINENCE BOARD

The Eminence Independent Financial Adviser has been appointed by Eminence after obtaining the approval of the Eminence Independent Board Committee to advise the Eminence Independent Board Committee and Eminence Shareholders in relation to (i) the Sale and Purchase Agreements and the transactions contemplated thereunder; (ii) the issue of the 2023 Convertible Note and of the Conversion Shares on exercise of the Conversion Rights attached to it; and (iii) how to vote at the Eminence SGM.

SPECIFIC MANDATE

The Conversion Shares will be allotted and issued under a mandate proposed to be granted to the Eminence Directors by a resolution passed at the Eminence SGM on which only Eminence Independent Shareholders are entitled to vote.

EMINENCE SGM

The Eminence SGM will be convened and held for the Eminence Independent Shareholders to consider and, if thought fit, approve, *inter alia*, the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note. The Easyknit Group and its associates (which together controlled or were entitled to exercise control over voting rights of approximately 51.60% of the Eminence Shares in issue at the Latest Practicable Date, will abstain from voting, at the Eminence SGM on the resolution approving (i) the Sale and Purchase Agreements and the transactions contemplated thereunder; and (ii) the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note. Only the Eminence Independent Shareholders will be entitled to vote on the resolution.

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 Wednesday, 15 February 2023 at 9:00 a.m. is set out on pages N-Eminence-1 to N-Eminence-3 of this joint circular. A **blue** proxy form for use at the Eminence SGM is enclosed with this joint circular. Whether or not the Eminence Shareholders are able to attend and vote at the Eminence SGM, they are requested to read the notice of the Eminence SGM and to complete and sign the accompanying **blue** proxy form 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 **blue** proxy form 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 **blue** proxy form shall be deemed to be revoked.

LETTER FROM THE EMINENCE BOARD

Pursuant to Rule 13.39 of the Listing Rules, the resolution as set out in the notice of the Eminence SGM will be voted on by way of poll at the Eminence SGM, the results of which will be announced by Eminence after the Eminence SGM.

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 Friday, 10 February 2023 to Wednesday, 15 February 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 Thursday, 9 February 2023.

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 Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note 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 to approve the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note to be proposed at the Eminence SGM.

RESPONSIBILITY STATEMENT

The joint 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 joint 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 in this joint circular misleading.

LETTER FROM THE EMINENCE BOARD

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 Group since 31 March 2022, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Eminence 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)

21 January 2023

To the Eminence Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION,
CONNECTED TRANSACTION
AND
ISSUE OF THE 2023 CONVERTIBLE NOTE**

We refer to the joint circular of Eminence and Easyknit dated 21 January 2023 (the “**Joint Circular**”) and have been appointed as members of the Eminence Independent Board Committee to advise you in respect of the Acquisition, details of which are set out in the letter from the Eminence Board in the Joint Circular, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Joint 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 64 to 103 of the Joint Circular, which contains its advice and recommendations to the Eminence Independent Board Committee as to whether or not the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise on the Convertible Rights attached to the 2023 Convertible Note 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.

LETTER FROM THE EMINENCE INDEPENDENT BOARD COMMITTEE

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 Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise on the Convertible Rights attached to the 2023 Convertible Note are 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. We, therefore, recommend the Eminence Independent Shareholders to vote in favour of the resolution to be proposed at the Eminence SGM to approve the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise on the Convertible Rights attached to the 2023 Convertible Note.

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 very substantial acquisition and connected transaction for the purpose of inclusion in this joint circular.



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RED SUN CAPITAL LIMITED

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21 January 2023

To the Eminence Independent Board Committee and the Eminence Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND ISSUE OF THE 2023 CONVERTIBLE NOTE

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 entering into of the Sale and Purchase Agreements by Eminence and Easyknit Properties, details of which are set out in the letter from the Eminence Board (the “**Letter from the Eminence Board**”) enclosed in the joint circular dated 21 January 2023 issued by Eminence to the Eminence Shareholders and by Easyknit to the Easyknit 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 30 November 2022 (after trading hours), Easyknit Properties, a wholly-owned subsidiary of Easyknit, entered into the Sale and Purchase Agreements with Eminence, pursuant to which amongst other things, (i) Easyknit Properties (as the seller) conditionally agreed to sell, and Eminence (as the buyer) conditionally agreed to acquire, the entire issued share capital of each of the Sale Companies (all being indirect wholly-owned subsidiaries of Easyknit); and (ii) Easyknit Properties agreed to procure the assignment of the Sale Loans to Eminence or its nominee, at an aggregate consideration of HK\$340,000,000 less a sum equal to the amount of Bank Loans

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

outstanding at the Completion Date on a dollar-for-dollar basis. On Completion, each of the Sale Companies will become an indirect non wholly-owned subsidiary of Easyknit and an indirect wholly-owned subsidiary of Eminence.

As one or more of the percentage ratios applicable to the purchase of the Sale Companies exceeds 100%, the Acquisition constitutes a very substantial acquisition for Eminence which is subject to reporting, announcement and the Eminence Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Easyknit Properties is a wholly-owned subsidiary of Easyknit and thus a member of the Easyknit Group. Easyknit together with its subsidiaries own approximately 51.60% of the issued share capital of Eminence. As members of the Easyknit Group are substantial shareholders of Eminence and connected persons of Eminence, each of the Sale and Purchase Agreements constitutes a connected transaction for Eminence. As one or more of the applicable percentage ratios applicable to the purchase of the Sale Companies exceeds 25% and the total consideration exceeds HK\$10,000,000, the Sale and Purchase Agreements are subject to the reporting announcement, and the Eminence Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Lui Yuk Chu (being 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 Sale and Purchase Agreements and the transactions contemplated thereunder. Save as disclosed above, 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 for the Eminence Independent Shareholders to consider and, if thought fit, approve, *inter alia*, the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note. The Easyknit Group and its associates (which together controlled or were entitled to exercise control over voting rights of approximately 51.60% of the Eminence Shares in issue at the Latest Practicable Date, will abstain from voting, at the Eminence SGM on the resolution approving (i) the Sale and Purchase Agreements and the transactions contemplated thereunder; and (ii) the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note. Only the Eminence Independent Shareholders will be entitled to vote on the resolution.

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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 advise the Eminence Independent Shareholders on (i) the Sale and Purchase Agreements and the transactions contemplated thereunder; and (ii) the issue of the 2023 Convertible Note and of the Conversion Shares on exercise of the Conversion Rights attached to it.

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 (i) the Sale and Purchase Agreements and the transactions contemplated thereunder; (ii) the issue of the 2023 Convertible Note and of the Conversion Shares on exercise of the Conversion Rights attached to it; 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 Sale and Purchase Agreements are fair and reasonable so far as the Eminence Independent Shareholders are concerned; (ii) whether the acquisition of the Properties through acquisition of the Sale Companies is 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 to approve the Sale and Purchase Agreements and the transactions contemplated thereunder and the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note at the Eminence SGM.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have reviewed, among other things, (i) the Sale and Purchase Agreements; (ii) the interim report of the Eminence Group for the six months ended 30 September 2022 (the “**2022 Interim Report**”); (iii) the annual report of the Eminence Group for the year ended 31 March 2022 (the “**2022 Annual Report**”); (iv) the financial information of the Sale Companies; (v) the loan documents of the Sale Loans; (vi) the unaudited pro forma financial information of the Post-Transaction Eminence Group; and (vii) an independent property valuation report on the Properties. 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

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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.

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 Acquisition and the issue of the 2023 Convertible Note. 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) a certificate in relation to the adjustments to the conversion prices of the convertible notes of Eminence dated 20 April 2022;

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(ii) a voluntary conditional cash offer for all issued shares of Eminence, the composite document of which was published on 26 March 2021; and (iii) an alteration of terms of convertible notes, the circular of which was published on 30 October 2020. 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.

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 six months ended		For the year ended	
	30 September	30 September	31 March	31 March
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	26,386	36,436	64,475	80,253
Cost of services rendered	(1,437)	(1,523)	(2,910)	(3,738)
(Loss)/profit before taxation	65,980	83,578	123,497	(190,743)
Taxation credit/(expense)	(2,568)	(1,793)	(7,050)	9,950
(Loss)/profit for the period/year attributable to owners of Eminence	63,412	81,785	116,447	(180,793)

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For the six months ended 30 September 2022 versus for the six months ended 30 September 2021

As extracted from the 2022 Interim Report, the principal source of revenue of the Eminence Group was derived from (i) property investment; and (ii) interest income from loan financing which respectively contributed to approximately 92.8% and 7.2% of the total revenue of the Eminence Group for the six months ended 30 September 2022, respectively.

As set out in Table 1 above, the revenue of the Eminence Group decreased by approximately HK\$10.0 million or approximately 27.5% from approximately HK\$36.4 million for the six months ended 30 September 2021 to approximately HK\$26.4 million for the six months ended 30 September 2022. Such decrease was mainly attributable to the decrease in rental income by approximately HK\$7.5 million from approximately HK\$23.2 million for the six months ended 30 September 2021 to approximately HK\$15.7 million for the six months ended 30 September 2022; and decrease in interest income from loan financing by approximately HK\$3.3 million from approximately HK\$5.2 million for the six months ended 30 September 2021 to approximately HK\$1.9 million for the six months ended 30 September 2022.

The Eminence Group's profit for the period attributable to owners of Eminence decreased by approximately HK\$18.4 million or approximately 22.5% from approximately HK\$81.8 million for the six months ended 30 September 2021 to approximately HK\$63.4 million for the six months ended 30 September 2022, which was mainly attributable to (i) the decrease in revenue; and (ii) the decrease in write-back on properties held for development for sale. Such decrease in net profit was partially offset by (iii) the increase in gain on change in fair value of investment properties; and (iv) the increase in reversal of impairment loss on loans receivable.

Financial year ended 31 March 2022 ("FY2022") versus financial year ended 31 March 2021 ("FY2021")

As extracted from the 2022 Annual Report, the principal source of revenue of the Eminence Group was derived from (i) rental income; (ii) management fee income; and (iii) interest income from loan financing which contributed to approximately 60.1%, 27.9% and 12.0% of the total revenue of the Eminence Group for FY2022, respectively.

As set out in Table 1 above, the revenue of the Eminence Group decreased by approximately HK\$15.8 million or approximately 19.7% from approximately HK\$80.3 million in FY2021 to approximately HK\$64.5 million in FY2022. Such decrease was mainly attributable to (i) the decrease in the rental income by HK\$6.6 million from approximately HK\$45.3 million in FY2021

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to approximately HK\$38.7 million in FY2022; and (ii) the decrease in the interest income from loan financing by HK\$11.2 million from approximately HK\$18.9 million in FY2021 to approximately HK\$7.7 million in FY2022.

The Eminence Group's profit for the year increased by approximately HK\$297.2 million from a net loss of approximately HK\$180.8 million for FY2021 to a net profit of approximately HK\$116.4 million for FY2022. Such increase was mainly attributable to, among other things, (i) gain on change in fair value of investment properties; (ii) write-back on properties held for development for sale; (iii) net gain on settlement of loans receivable by properties; and (iv) decrease in net loss on modification of terms of convertible notes. Such increase in profit was partially offset by (v) the decrease in revenue; and (vi) the increase in net loss on changes in fair value of financial assets at fair value through profit or loss.

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

	As at	As at 31 March	
	30 September	2022	2021
	2022	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Non-current assets	1,489,598	1,495,937	1,457,070
Current assets	3,546,302	3,383,871	3,156,267
Non-current liabilities	1,164,870	962,755	1,161,623
Current liabilities	703,948	901,866	570,421
Net current assets	2,842,354	2,482,005	2,585,846
Total equity	3,167,082	3,015,187	2,881,293

Financial position as at 30 September 2022 versus financial position as at 31 March 2022

As set out in Table 2 above, as at 30 September 2022, the Eminence Group recorded net current assets of approximately HK\$2,842.4 million (31 March 2022: approximately HK\$2,482.0 million). The Eminence Group's current assets increased from approximately HK\$3,383.9 million as at 31 March 2022 to approximately HK\$3,546.3 million as at 30 September 2022. Such increase was mainly attributable to the combined effect of (i) the increase in bank balances and cash of approximately HK\$149.0 million; (ii) the increase in properties held for development for sale by approximately HK\$84.1 million; (iii) the increase in trade and other receivables by approximately HK\$2.1 million; (iv) the decrease in financial assets at fair value through profit or loss by approximately HK\$67.1 million; and (v) the decrease in loan receivables by approximately HK\$4.0 million; and The Eminence Group's current liabilities decreased from approximately HK\$901.9

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million as at 31 March 2022 to approximately HK\$703.9 million as at 30 September 2022. Such decrease was mainly attributable to the combined effect of (i) the decrease in secured bank borrowing by approximately HK\$171.0 million; (ii) the decrease in convertible notes by approximately HK\$16.3 million; (iii) the decrease in trade and other payables by approximately HK\$9.9 million; (iv) the decrease in tax payables by approximately HK\$0.5 million; and (v) the decrease in lease liabilities by approximately HK\$0.2 million.

Financial position as at 31 March 2022 versus financial position as at 31 March 2021

As set out in Table 2 above, as at 31 March 2022, the Eminence Group recorded net current assets of approximately HK\$2,482.0 million (31 March 2021: approximately HK\$2,585.8 million). The Eminence Group's current assets increased from approximately HK\$3,156.3 million as at 31 March 2021 to approximately HK\$3,383.9 million as at 31 March 2022. Such increase was mainly attributable to the combined effect of (i) the increase in properties held for development for sale by approximately HK\$266.7 million; (ii) the increase in trade and other receivables by approximately HK\$89.8 million; (iii) the decrease in loan receivables by approximately HK\$72.1 million; (iv) the decrease in bank balances and cash by approximately HK\$30.2 million; (v) the decrease in financial assets at fair value through profit or loss of approximately HK\$22.8 million; (vi) the decrease in debt instruments at fair value through other comprehensive income by approximately HK\$3.9 million. The Eminence Group's current liabilities increased from approximately HK\$570.4 million as at 31 March 2021 to approximately HK\$901.9 million as at 31 March 2022 which was mainly attributable to the combined effect of (i) the increase in secured bank borrowings by approximately HK\$353.0 million; (ii) the increase in convertible notes by approximately HK\$2.9 million; (iii) the increase in tax payable by approximately HK\$1.1 million; (iv) the increase in lease liabilities by approximately HK\$0.2 million; and (v) the decrease in trade and other payables by approximately HK\$25.6 million.

2. Background information on Sale Companies

Company A, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Easyknit. The sole material asset of Company A is Property A, which is Shop A on Ground Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property A is situated within a development completed in 2011. The saleable area of Property A is 1,538 sq. ft. Property A is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 31 March 2025, at a monthly rent of HK\$75,000 from 1 April 2022 to 31 March 2023 and HK\$78,000 from 1 April 2023 to 31 March 2025, exclusive of Government Rates, management fees and utility charges.

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Set out below is certain financial information of Company A for each of the two financial years ended 31 March 2022 and the six months ended 30 September 2022, prepared in accordance with HKFRS and as extracted from appendix IV to the Circular:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) (before taxation)	(2,243,211)	1,365,494	3,803,989
Net profit/(loss) (after taxation)	(2,243,211)	1,360,565	3,780,887

	As at 31 March		As at
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net assets	15,300,431	16,660,996	20,441,883

The original acquisition cost of Property A to the Easyknit Group was approximately HK\$24,000,000. Property A has been held by the Easyknit Group for more than twelve (12) months.

Company B, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Easyknit. The sole material asset of Company B is Property B, which is Shop B on Ground Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property B is situated within a development completed in 2011. The saleable area of Property B is 502 sq. ft. Property B is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 14 December 2023, at a monthly rent of HK\$50,000 exclusive of Government Rates, management fees and utility charges.

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Set out below is certain financial information of Company B for each of the two financial years ended 31 March 2022 and the six months ended 30 September 2022, prepared in accordance with HKFRS and as extracted from appendix IV to the Circular:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) (before taxation)	(1,398,088)	943,993	2,679,965
Net profit/(loss) (after taxation)	(1,398,088)	943,993	2,679,965

	As at 31 March		As at
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net assets	869,495	1,813,488	4,493,453

The original acquisition cost of Property B to the Easyknit Group was approximately HK\$20,000,000. Property B has been held by the Easyknit Group for more than twelve (12) months.

Company C, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Easyknit. The sole material asset of Company C is Property C, which is Shop C on First Floor of One Victory, situated at Nos. 1, 1A and 3 Victory Avenue, Kowloon. Property C is situated within a development completed in 2011. The saleable area of Property C is 1,913 sq. ft. Property C is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 9 December 2023, at a monthly rent of HK\$63,000 exclusive of Government Rates, management fees and utility charges.

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Set out below is certain financial information of Company C for each of the two financial years ended 31 March 2022 and the six months ended 30 September 2022, prepared in accordance with HKFRS and as extracted from appendix IV to the Circular:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) (before taxation)	(1,359,687)	748,749	812,980
Net profit/(loss) (after taxation)	(1,356,694)	748,749	812,980

	As at 31 March		As at
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net assets	4,144,137	4,892,886	5,705,866

The original acquisition cost of Property C to the Easyknit Group was approximately HK\$19.7 million. Property C has been held by the Easyknit Group for more than twelve (12) months.

Company D, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Easyknit. The sole material asset of Company D is Property D, which is a shop on Ground Floor of No. 50 Yun Ping Road, Hong Kong. Property D is situated within a development completed in 1954. The gross floor area of Property D is approximately 1,200 sq. ft. Property D is subject to a tenancy in favour of an Independent Third Party as at the Latest Practicable Date for a term expiring on 13 September 2023, at a monthly rent of HK\$200,000, inclusive of Government Rent, but exclusive of Government Rates, management fees and utility charges.

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Set out below is certain financial information of Company D for each of the two financial years ended 31 March 2022 and the six months ended 30 September 2022, prepared in accordance with HKFRS and as extracted from appendix IV to the Circular:

	For the year ended 31 March		For the six months ended
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net (loss) (before taxation)	(41,276,963)	(9,165,627)	(712,963)
Net (loss) (after taxation)	(41,278,115)	(9,165,627)	(712,963)

	As at 31 March		As at
	2021	2022	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(unaudited)
Net liabilities	(117,499,761)	(126,665,388)	(127,378,351)

The original acquisition cost of Property D to the Easyknit Group was approximately HK\$380.1 million. Property D has been held by the Easyknit Group for more than twelve (12) months.

2.1 Review of the retail property market

According to the Hong Kong Property Review Monthly Supplement (the “**2022 Property Review**”) published by the Rating and Valuation Department of The Government of Hong Kong (the “**HKSAR Government**”) in December 2022, the private retail rental and price indices (i) for rents had been on a downward trend since February 2022 from 172.1 to 162.8 for October 2022; and (ii) for prices had been on a downward trend since January 2022 from 555.5 to 509.7 for October 2022, demonstrating a slow momentum of the retail property market. We have further reviewed the press releases by the HKSAR Government, from December 2022 to January 2023, despite the slow momentum based on the retail and price indices, the relaxation of quarantine measures by the HKSAR Government in late December, and the first-phase resumption of normal travel between Hong Kong and the PRC started on 8 January 2023, the HKSAR Government will review the overall implementation of the first stage and maintain liaison with relevant authorities of the PRC on the arrangements of any subsequent phase. As mentioned by the HKSAR

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Government, Hong Kong will accept up to 50,000 mainland visitors per day. With the Hong Kong and the PRC border reopens after 3 years, which may help Hong Kong's economy bounce back and the retail property market may rebound and improve in the long term.

On the above basis, we concur with the Eminence Directors that the Hong Kong retail property market is undergoing difficult times, but believe that in the longer term the market will improve and Eminence will benefit accordingly.

3. Background of the Sale and Purchase Agreements

Date and Parties:

Date	:	30 November 2022
Seller	:	Easyknit Properties (as seller)
Purchaser	:	Eminence (as buyer)
Assets to be acquired	:	The Sale Companies are direct wholly-owned subsidiaries of Easyknit Properties and are limited liability companies incorporated in Hong Kong, which in turn are indirect wholly-owned subsidiaries of Easyknit. The sole material asset of each of the Sale Companies is a separate commercial property in Hong Kong.

The Sale and Purchase Agreements relate to the proposed acquisition by Eminence of the entire issued share capital of each of the Sale Companies and the shareholder's loans owing by each of the Sale Companies to the Easyknit Group at Completion.

Easyknit Sale Agreement A

Sale Shares A	:	The entire issued share capital of Company A
Sale Loan A	:	The shareholder's loans owing by Company A to the Easyknit Group at Completion

As at 30 September 2022, Sale Loan A amounted to HK\$22,716,913.

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Easyknit Sale Agreement B

- Sale Shares B : The entire issued share capital of Company B
- Sale Loan B : The shareholder's loans owing by Company B to the Easyknit Group at Completion

As at 30 September 2022, Sale Loan B amounted to HK\$19,702,259.

Easyknit Sale Agreement C

- Sale Shares C : The entire issued share capital of Company C
- Sale Loan C : The shareholder's loans owing by Company C to the Easyknit Group at Completion

As at 30 September 2022, Sale Loan C amounted to HK\$17,911,313.

Easyknit Sale Agreement D

- Sale Shares D : The entire issued share capital of Company D
- Sale Loan D : The shareholder's loans owing by Company D to the Easyknit Group at Completion

As at 30 September 2022, Sale Loan D amounted to HK\$290,647,517.

Pursuant to the Sale and Purchase Agreements, amongst other things, Eminence conditionally agreed to purchase, and Easyknit Properties conditionally agreed to sell all the Sale Shares and Sale Loans. On Completion, each of the Sale Companies will become an indirect non wholly-owned subsidiary of Easyknit and an indirect wholly-owned subsidiary of Eminence.

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Considerations

Purchase Price A

The aggregate of the purchase price for the sale and purchase of Sale Shares A and the assignment of Sale Loan A under the Easyknit Sale Agreement A shall be HK\$44,000,000, apportioned as follows:

- (i) the price for the assignment of Sale Loan A shall be the face value of the total outstanding amount of the Sale Loan A as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan A Consideration**”); and
- (ii) the price for the sale of the Sale Shares A shall be Purchase Price A less Sale Loan A Consideration minus a sum equal to the amount of bank loan attributable to Property A outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares A Consideration**”).

Purchase Price A was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property A.

Purchase Price B

The aggregate of the purchase price for the sale and purchase of Sale Shares B and the assignment of Sale Loan B under the Easyknit Sale Agreement B shall be HK\$24,800,000, apportioned as follows:

- (iii) the price for the assignment of Sale Loan B shall be the face value of the total outstanding amount of the Sale Loan B as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan B Consideration**”); and
- (iv) the price for the sale of the Sale Shares B shall be Purchase Price B less Sale Loan B Consideration minus a sum equal to the amount of bank loan attributable to Property B outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares B Consideration**”).

Purchase Price B was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property B.

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Purchase Price C

The aggregate of the purchase price for the sale and purchase of Sale Shares C and the assignment of Sale Loan C under the Easyknit Sale Agreement C shall be HK\$24,200,000, apportioned as follows:

- (v) the price for the assignment of Sale Loan C shall be the face value of the total outstanding amount of the Sale Loan C as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan C Consideration**”); and
- (vi) the price for the sale of the Sale Shares C shall be Purchase Price C less Sale Loan C Consideration minus a sum equal to the amount of bank loan attributable to Property C outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares C Consideration**”).

Purchase Price C was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property C.

Purchase Price D

The aggregate of the purchase price for the sale and purchase of Sale Shares D and the assignment of Sale Loan D under the Easyknit Sale Agreement D shall be HK\$247,000,000, apportioned as follows:

- (vii) the price for the assignment of Sale Loan D shall be the face value of the total outstanding amount of the Sale Loan D as at the Completion Date on a dollar-for-dollar basis (the “**Sale Loan D Consideration**”); and
- (viii) the price for the sale of the Sale Shares D shall be Purchase Price D less Sale Loan D Consideration minus a sum equal to the amount of Bank Loan 2 outstanding as at the Completion Date on a dollar-for-dollar basis (the “**Sale Shares D Consideration**”).

Purchase Price D was determined after arm’s length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and valuation of Property D.

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As at the Latest Practicable Date, the aggregate principal amount of outstanding Bank Loans amounts to approximately HK\$126,000,000. The Net Purchase Price of HK\$214,000,000 (being the aggregate consideration (the “**Aggregate Consideration**”) of HK\$340,000,000 less the total principal amount of outstanding Bank Loans) shall be paid by the Purchaser to the Seller in the following manner:

- (i) sums of HK\$500,000 in aggregate (the “**Deposit**”), being approximately 0.23% of the Net Purchase Price, were paid in cash by the Purchaser to the Seller upon the signing of the Sale and Purchase Agreements;
- (ii) sums of HK\$4,500,000 in aggregate (the “**Cash Consideration**”), being approximately 2.1% of the Net Purchase Price shall be paid in cash by the Purchaser to the Seller or its nominee and the Deposit shall be retained by the Seller as part of the Net Purchase Price, on the Completion Date; and
- (iii) the balance of the Net Purchase Price of HK\$209,000,000 (the “**Balance**”) will be satisfied by the issue of the 5% 2023 Convertible Note by the Purchaser to the Seller or its nominee on the Completion Date.

The Net Purchase Price of HK\$214,000,000 (being the aggregate consideration of HK\$340,000,000 less the total principal amount of outstanding Bank Loans amounting to approximately HK\$126,000,000) will be financed by an issue of the 2023 Convertible Note in a principal amount of HK\$209,000,000 and a cash consideration of HK\$5,000,000.

Mortgages

Property A, Property B and Property C are subject to a single mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure Bank Loan 1. As at 30 September 2022, the outstanding loan principal amount plus accrued interest owed by Easyknit to Hang Seng Bank Limited in relation to Property A, Property B and Property C was HK\$48,283,778. The Eminence Group will mortgage Property A, Property B and Property C to Hang Seng Bank Limited to settle Bank Loan 1 at Completion. The arrangement of new mortgage has been confirmed and is currently being processed with Hang Seng Bank Limited.

Property D is subject to a mortgage in favour of Hang Seng Bank Limited, an Independent Third Party, to secure Bank Loan 2. As at 30 September 2022, the outstanding loan principal amount plus accrued interest owed by Company D to Hang Seng Bank Limited was HK\$77,850,706. The Eminence Group will mortgage Property D to Hang Seng Bank Limited to settle Bank Loan 2 at Completion. The arrangement of new mortgage has been confirmed and is currently being processed with Hang Seng Bank Limited.

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Completion

Completion of the Sale and Purchase Agreements is conditional upon the fulfilment of the conditions set out under the conditions precedent, please refer to the section headed “OTHER SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENTS — Conditions Precedent” in the Letter from the Eminence Board.

On Completion, Company A, Company B, Company C and Company D will become indirect non wholly-owned subsidiaries of Easyknit, and indirect wholly-owned subsidiaries of Eminence.

Valuation

According to the valuation report issued by Colliers, as at 30 November 2022, Property A was valued at HK\$43,100,000, Property B was valued at HK\$24,200,000, Property C was valued at HK\$23,600,000 and Property D was valued at HK\$241,700,000. The aggregate book value of Property A, Property B and Property C as at 30 September 2022 was approximately HK\$90,900,000. A gain of approximately HK\$2.1 million is expected to accrue to Easyknit based on the excess of the aggregate consideration of Property A, Property B and Property C over the net asset value of Company A, Company B and Company C, and the Sale Loan A, Sale Loan B and Sale Loan C. The net asset value of Company A, Company B and Company C as at 30 September 2022 was approximately HK\$20.4 million, HK\$4.5 million and HK\$5.7 million, respectively. The outstanding loan principal amount plus accrued interest owed by the Easyknit Group to Hang Seng Bank Limited in relation to Property A, Property B and Property C was approximately HK\$48.3 million as at 30 September 2022. The book value of Property D as at 30 September 2022 was HK\$241,700,000. A loss of approximately HK\$121.4 million is expected to be recorded in Easyknit based on the net liability position of Company D, the Sale Loan D and the Bank Loan 2. The net asset value of Company D as at 30 September 2022 was net liabilities of approximately HK\$127.4 million. The outstanding loan principal amount plus accrued interest owed by Company D to Hang Seng Bank Limited was approximately HK\$77.9 million as at 30 September 2022.

4. Reasons for and benefits for the entering into of the Sale and Purchase Agreements

The Eminence Group is principally engaged in the property development, property investment, investment in securities and others and loan financing businesses.

The acquisition through acquisition of the Sale Companies is part of Eminence’s core business of property investment and the Eminence Directors believe that the Acquisition will enhance its portfolio of real estate assets at attractive prices in view of the current market conditions. They also believe that the retail property market will improve over the next few years. In deciding whether to proceed with the Acquisition, the Eminence Board considered with legal

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advisers the litigation or judgements relating to areas outside the Properties has concluded and disclosed in the valuation report by Colliers stating that the Properties are free from and clear of any and all charges, liens and encumbrances, and came to the view that such litigation has no material impact on the Acquisition. The Eminence Directors recommend that the Acquisition is with an intention of earning a return on the property investment through rental income on the existing tenancies of the Properties upon expiry and/or for future sale of the Properties. As at the Latest Practicable Date, the Properties are intended to be held for rental purpose unless opportunity arises when there are potential buyers then future sale of the Properties will be considered. Eminence will make further announcement(s) in accordance with the Listing Rules as and when appropriate. Taking into account the valuation report on the Properties by Colliers, the Eminence Board considers that the Easyknit Sale Consideration is fair and reasonable and the Sale and Purchase Agreements are in the interests of the Eminence Group and are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of Eminence and the Eminence Shareholders as a whole. As at the Latest Practicable Date, Eminence has no further commitment into the Properties after Completion and Eminence has no present intention or plan, or has entered into any agreement, arrangement, undertaking or negotiation to acquire new businesses or dispose of its existing businesses. Eminence will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

The Eminence Directors reviewed cashflow impacts on the acquisition of the Properties and financial information of the Sale Companies to take into account the loss-making position of the Sale Companies and the net liabilities position of Company D during the track record period and the reporting accountants' emphasis of matter on going concern in assessing the fairness and reasonableness of the Acquisition.

The Eminence Directors consider the acquisition of the Properties to be an opportunity to expand its portfolio of retail assets without significant immediate cash outflows, at a price that is attractive. Whilst the Hong Kong retail property market is undergoing difficult times, they believe that in the longer term the market will improve and Eminence will benefit accordingly. In particular, whilst the cash outflows of Property D of approximately HK\$915,000 per month at present exceed the cash inflows of approximately HK\$200,000 per month and will therefore reduce the cash resources of Eminence, the Eminence Directors consider that it is able to finance the outflows for the foreseeable future and believe that it will be able to enhance cash inflows and enjoy capital gains over the longer term.

In view of (i) the prospects of the retail property market remain positive; (ii) the view of the Eminence Directors that the acquisition of the Properties will enhance its portfolio of real estate assets at attractive prices; and (iii) the Properties under the Sale Companies are in line with the Eminence Group's real estate activities which focus on the industrial and non-residential sector, we

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are of the view that entering into the Sale and Purchase Agreements are in the interests of the Eminence Group and are on normal commercial terms, fair and reasonable and in the interests of Eminence and the Eminence Shareholders as a whole.

5. Basis of Aggregate Consideration

The Aggregate Consideration was determined after arm's length negotiations between Easyknit and Eminence, taking into account their respective perceptions of the property market and the valuation of the respective properties.

5.1 Valuation of the Properties

The aggregate book value of Property A, Property B, Property C and Property D as at 30 September 2022 was approximately HK\$332,600,000. The Properties were valued at approximately HK\$332,600,000 at 30 November 2022 by Colliers.

Based on our discussion with Colliers, the valuation methodology in accordance with The Hong Kong Institute of Surveyors' HKIS Valuation Standards and the Royal Institution of Chartered Surveyors' RICS Valuation — Global Standards, incorporating the International Valuation Standards Council's International Valuation Standards. In any valuation analysis, three approaches, namely the cost approach, the direct comparison approach and the income approach, must be considered and the approach considered to be most relevant will then be selected for use in the fair value analysis of that asset. For retail properties, the market value is determined with reference to actual sales transactions of comparable properties. The Management has confirmed that the information provided to Colliers for their valuation purposes was complete and up-to-date and the financial information of each property was prepared under comparable accounting policies. We understood from Colliers that both the cost approach and income approach were not applicable to the valuation of the Properties as at 30 November 2022.

Based on our discussion with Colliers, regarding the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which Eminence operates, and other risks specific to the asset being valued. As the future economic benefit stream and the discount rate requires various assumptions and is subject to various uncertainties such as economic environment in the future due to the current market conditions, Colliers considers that the adoption of the income approach for the Properties may not be appropriate.

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Regarding the cost approach, through our discussion with Colliers, we are given to understand that cost approach will only be considered when there is no public market information available in relation to acquisition of property. In addition, under the cost approach, the value is established based on the land costs and the costs of construction in reproducing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable, but without taking into account the market conditions. Given that there is public market information available in relation to acquisition of comparable property, Colliers considers that adopting the cost approach in this case may not be appropriate for the valuation of the Properties.

Given the income approach and cost approach may not be appropriate for the valuation of the Properties, Colliers has adopted the market approach which consist of comparisons based on prices realised or current asking prices of comparable properties. During our discussion with Colliers, and the review on the valuation report, we understand how the valuation was being derived and how the comparable properties of similar size, character and location were weighed against their respective advantages and drawbacks. We have discussed with Colliers on the valuation methodology applied and reviewed the comparables provided by Colliers. For valuation purposes, Colliers has selected 3 comparable properties of ground floor shop for each Property A and Property D; 4 comparable properties of ground floor shop for Property B; and 2 comparable properties of first floor shop for Property C (together, the “**Comparables**”). Regarding the locations of those Comparables, we have performed desktop search and noted that all of the Comparables are located in Hong Kong and in proximity to the Properties.

We have also reviewed the sizes and ages of the Comparables used in the direct comparison approach, the completion of each Comparable were ranged from 3 years to 56 years and the saleable area of the Comparables are ranged from approximately 271 sq. ft. to 4,441 sq. ft., given (i) the average saleable floor area of the retail shops in the Properties is within the range of the Comparables; and (ii) the age of completion of each Comparables is similar to that of the Properties, we are of the view that the Comparables used by Colliers are fair and reasonable.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of Colliers with the Eminence Group; (ii) Colliers’ qualification and experience in relation to the preparation of valuation report; and (iii) the steps and due diligence measures taken by Colliers for conducting the valuation. From the engagement letter and other relevant information provided by Colliers and based on our interview with Colliers, we are satisfied with the terms of engagement of Colliers as well as its qualification and experience for preparation of valuation report. Colliers has also confirmed that it is independent to the Easyknit Group and the Eminence Group.

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We are of the view that the valuation methodology and assumptions adopted by Colliers are appropriate, and enable a complete, fair and reasonable comparison of the relative values of the Properties.

Accordingly, having considered that (i) the basis of the relevant purchase price is with reference to the valuation conducted by Colliers; (ii) Eminence may not be able to acquire the Properties with Net Purchase Price at such level which is attractive from the view of the Eminence Directors, given the view of the Eminence Directors that Hong Kong retail property market is undergoing difficult times, but believe that in the longer term the market will improve and Eminence will benefit accordingly; and (iii) Eminence will be able to expand its portfolio of retail assets without significant immediate cash outflows, we are of the view that the Net Purchase Price is fair and reasonable so far as Eminence and its shareholders are concerned.

Our view

In view of (i) the reasonableness of the consideration with reference to the valuation report; (ii) the increase in the consolidated net assets of the Eminence Group from approximately HK\$3,167.1 million before the acquisition of the Properties to approximately HK\$3,214.7 million upon Completion as set out in the unaudited pro-forma financial information of the Post-Transaction Eminence Group; and (iii) it is expected that the acquisition of the Sale Companies will broaden Eminence's revenue base in view of the track record of financial performance of the Sale Companies, we are of the view that the Net Purchase Price of the Sale and Purchase Agreement is fair and reasonable after the considering the abovementioned factors.

Besides, we had discussed with Colliers in relation to their experiences and understood that Ms. Stella Ho, the Executive Director of Colliers and the person in charge of the valuation report, is a member of the Royal Institution of Chartered Surveyors and RICS Registered Valuer, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyor (General Practice), Listed Valuer for undertaking valuation for incorporation or reference in listing particulars and circulars and valuation in connection with takeovers and mergers, a member of China Institute of Real Estate Appraisers and Agents (MCIREA) and Registered Real Estate Appraiser. She specialises in valuation and has worked in the real estate sector for over 20 years. Her work experience spans Asia Pacific, with a focus on Hong Kong, Macau, and the PRC, she has also worked on projects in Myanmar, Philippines, Indonesia, Malaysia and Thailand. We are of the view that she is qualified to provide reliable opinions in the valuation report. As discussed with Colliers, they have no prior relationship with the Eminence Group or other parties and connected persons to the Sale and Purchase Agreements, and we are of the view that the independence and objectivity of Colliers is fair and equitable in providing opinions in the valuation report and the

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scope of work performed by Colliers is appropriate to give the opinions. Based on the above, we are not aware of any major factor which caused us to doubt the fairness and reasonableness of the assumptions and methodologies adopted for the valuation report.

The relevant data listed out in the table below are extracted from the unaudited pro forma financial information of the Post-Transaction Eminence Group as set out in appendix VI to the Circular:

	<i>HK\$'000</i>
Total identifiable net assets at fair value	
(i) Net liabilities recognized from the Sale Companies	(96,739)
Add:	
(ii) Sale Loans assigned to Eminence	<u>350,978</u>
	<u>254,239</u>
Less: Total consideration	
(iii) Easyknit Sale Consideration	
Cash	131,000
2023 Convertible Note (fair value assumed at 30 November 2022)	200,487
Less:	
(iv) Secured bank borrowings and accrued interest (included in trade and other payable) in Company D	<u>(77,851)</u>
	<u>253,636</u>
Less: Estimated transaction costs directly attributable to the Acquisition	<u>817</u>
Loss on the Acquisition	(214)

As shown above, the loss on the Acquisition is expected to be approximately HK\$0.2 million taking into account the valuation of the Properties. Considering the loss on the Acquisition would be mainly due to the estimated transaction costs directly attributable to the Acquisition, there would be a gain on the Acquisition if not considering the estimated transaction costs, also, the loss on the Acquisition of approximately HK\$0.2 million is an acceptable amount as compared to the reasons and benefits for the Acquisition as discussed in section headed “4. REASONS FOR AND BENEFITS FOR THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENTS” above. As such, we consider the Net Purchase Price to be fair and reasonable.

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5.2 *Principal terms of the 2023 Convertible Note*

The principal terms of the 2023 Convertible Note, details of which are set out in appendix IX to the Circular, are summarised below:

Issuer	:	Eminence
Principal amount	:	HK\$209,000,000
Maturity date	:	The fifth (5th) anniversary of the issue date, when the entire then-outstanding principal amount, together with all outstanding accrued interest, of the 2023 Convertible Note will become due and payable by Eminence to the holder of the 2023 Convertible Note.
Redemption price at maturity	:	100% of the principal amount of the 2023 Convertible Note outstanding on the maturity date, together with all unpaid interest accrued on it.
Redemption	:	Any amount of the 2023 Convertible Note which remains outstanding on the maturity date shall be redeemed in full. Any amount of the 2023 Convertible Note which is redeemed will be cancelled forthwith.
Interest	:	The 2023 Convertible Note will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 5% per annum. Interest will be payable semi-yearly in arrears.

The interest rate was determined by the parties after arm's length negotiations and with reference to (i) the prevailing market conditions; and (ii) the indicative costs of unsecured mid-term/long-term debt finance preliminarily quoted to Eminence by its banks upon enquiry.

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Conversion Rights : The holder of the 2023 Convertible Note will have the right to convert the whole or part of the outstanding principal amount of the 2023 Convertible Note (in amounts of not less than an integral multiple of HK\$1,000,000 on each conversion, unless the outstanding principal amount of the 2023 Convertible Note is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the conversion period (as detailed below) at the conversion price of HK\$0.106 per Conversion Share (subject to adjustments).

Eminence will not be obliged to issue any Conversion Shares if immediately following the conversion, Eminence will be unable to meet the minimum public float requirement under the Listing Rules.

Conversion period : The period from the date falling on the issue date up to and including the date falling on the fifth (5th) last Business Day prior to the maturity date.

Conversion price : Upon issue of the 2023 Convertible Note, the initial conversion price will be HK\$0.106 per Conversion Share (subject to adjustments), which represents:

- (i) a premium of approximately 47.22% over the closing price of HK\$0.072 per Eminence Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 43.24% over the closing price of HK\$0.074 per Eminence Share as quoted on the Stock Exchange on 30 November 2022, being the date of Sale and Purchase Agreements;
- (iii) a premium of approximately 45.21% over the average closing price of approximately HK\$0.073 per Eminence Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the date of Sale and Purchase Agreements;

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- (iv) a premium of approximately 47.02% over the average closing price of approximately HK\$0.0721 per Eminence Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the date of Sale and Purchase Agreements;
- (v) a premium of approximately 46.41% over the average closing price of approximately HK\$0.0724 per Eminence Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the date of Sale and Purchase Agreements; and
- (vi) a discount of approximately 92.89% over the unaudited net asset value per Eminence Share of approximately HK\$1.49 as at 30 September 2022 based on the 2,125,924,676 Eminence Shares in issue as at 30 September 2022.

In determining the conversion price, the Eminence Directors have reviewed the closing prices of the Eminence Shares during the period from 1 June 2022 and up to and including 30 November 2022, being the date of the Sale and Purchase Agreements (the “**Review Period**”). The Eminence Directors consider that the Review Period could reflect the most recent trend of the prevailing market price of the Eminence Shares and the closing prices of the Eminence Shares fluctuated within the range from HK\$0.069 per Eminence Share to HK\$0.105 per Eminence Share. The average closing price of the Eminence Shares was approximately HK\$0.082 during the Review Period. The conversion price of HK\$0.106 represents a premium of approximately 29.27% over the average closing price of the Eminence Shares during the Review Period.

Ranking of the Conversion Shares : The Conversion Shares, if and when allotted and issued, shall rank pari passu in all respects with all other Eminence Shares in issue as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on or after the date of the relevant conversion notice.

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- Transferability : No assignment or transfer (whether in whole or in part) of the 2023 Convertible Note except with consent of Eminence or to (i) the holding company or (ii) the subsidiaries or affiliated companies of the holder of the 2023 Convertible Note or the fellow subsidiaries or fellow affiliated companies of the holder of the 2023 Convertible Note.
- Voting : The holder of the 2023 Convertible Note will not be entitled to attend or vote at any meetings of Eminence by reason only of being the holder of the 2023 Convertible Note.
- Others : The conversion rights attaching to the 2023 Convertible Note shall not be exercisable if and to the extent that immediately after such exercise and the issue of the related Conversion Shares less than 25% of the issued Eminence Shares would be held by the public as required by Rule 8.08 of the Listing Rules.

We have further discussed with the Management and were given to understand that the Eminence Board has made reference to the terms of the convertible note issued on 28 August 2019 (the “2019CN”) as disclosed in the circulars of Eminence which were dated 2 August 2019 and 30 October 2020, respectively, we have compared the terms of the 2023 Convertible Note with the 2019CN, considering that (i) both of the initial conversion prices were determined with reference to the most recent trends of the prevailing market prices; (ii) the maturity date for both of the 2019CN and the 2023 Convertible Note were the fifth anniversary of the issue date; (iii) the interest for the 2023 Convertible Note will be 5% per annum as compared with the interest of 4% per annum for the 2019CN, higher interest for the 2023 Convertible Note is needed due to the increasing trend for the prime rate of the banks in Hong Kong; and (iv) other remaining terms between the 2023 Convertible Note and the 2019CN are similar. Considering the time lapsed since the issue of the 2019CN and the changes in market conditions during the period, we have further compared the terms of the 2023 Convertible Note and the 2019CN with the Comparable Issues (as defined below), and noted that (i) both the conversion prices were determined with reference to the most recent trends of the prevailing market prices; (ii) the adjustment events are similar; and (iii) other remaining terms between the 2023 Convertible Note/the 2019CN and the Comparable Issues are similar, except for the transferability may be different and two of the Comparable Issues have the term of initial conversion price reset. We therefore concur with the Eminence Board that the terms are similar, the basis for the difference is reasonable and both of them were negotiated on an arm’s length basis. As noted above, we concur with the Eminence Directors’ view that the Eminence Board has exercised its endeavours to ensure the principal terms of the 2023 Convertible Note are best available terms negotiated on arm’s length basis and in the interests of the Eminence Shareholders.

5.3 Analysis of the principal terms of the 2023 Convertible Note

In order to assess the fairness and reasonableness of the terms of the 2023 Convertible Note, we have, on a best efforts basis, conducted a search of all recent issues of convertible bond(s) or convertible note(s) under specific mandate by companies listed on the Stock Exchange that (i) the issuance was for acquisition and (ii) are connected transactions, excluding those that are perpetual in term and have no maturity date, which we considered to be not comparable to the convertible bond(s) or convertible note(s) in terms of the nature as the perpetual convertible bond(s) or convertible note(s) offer a steady stream of interest indefinitely and the principal is generally not redeemable while the convertible bond(s) are redeemable at maturity date) for the period of twenty-four-month period prior to the date of the Sale and Purchase Agreements (the “**Comparable Issues**”) through published information on the Stock Exchange’s website. We consider that the twenty-four-month period is appropriate in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar market conditions, given that (i) the timeframe is sufficient in generating a reasonable and meaningful amount of samples for the purpose of our analysis; and (ii) the inclusion of all Comparable Issues without any artificial selection or filtering on our part represents a true and fair view of the recent market trends for similar transactions conducted by other listed issuers in Hong Kong. Based on such criteria, we have identified 7 Comparable Issues on an exhaustive basis meeting the aforesaid criteria. Shareholders should note that the size, principal business, scale of the market capitalization, profitability and financial positions of Eminence may be not the same as the issues of the Comparable Issues and we have not conducted any in-depth investigation into the size, principal business, scale of the market capitalization, profitability and financial positions of the issuers of Comparable Issues. This analysis is aiming in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar types of transactions. We consider that our comparable analysis on the terms of the convertible bonds or convertible notes without limiting it to companies that are of similar size, principal business, scale of the market capitalization, profitability and financial positions to the Eminence Group is fair and reasonable and useful for the Eminence Independent Shareholders’ reference. We set out our findings in the table below:

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Company name	Stock code	Principal business	Date of initial announcement	Interest rate per annum		Maturity (year(s))	Transferability (Yes/No)	Premium/ (discount) of conversion price over/to the closing price on the respective date of the agreements as stated in the announcements of respective companies	Premium/ (discount) of conversion price over/to the average closing price of respective shares for the last five consecutive trading days prior to/up to and including the date of respective agreement	Premium/ (discount) of conversion price over/to the average closing price of respective shares for the last ten consecutive trading days prior to/up to and including the date of respective agreement	Premium/ (discount) of conversion price over/to the net asset value per share
				(%)	(%)			(%)	(%)		
Jiayuan International Group Limited	2768	Principally engaged in property development in the PRC	13 January 2021	Nil	5	Yes	5.10	6.45	6.90	1.59	
Qingdao Holdings International Limited	499	Principally engaged in the production and sale of education equipment	17 March 2021	Nil	9	Yes	289.58	336.92	352.78	262.40	
Expert Systems Holdings Limited	8319	Principally engaged in the rental of properties	09 July 2021	2.5	5	Yes	5.70	7.00	9.90	10.50	
InvesTech Holdings Limited	1087	Principally engaged in the provision of network system integration solutions	23 September 2021	1.5	3	Yes	6.38	4.31	3.38	(75.06)	
Apex Ace Holding Limited	6036	Principally engaged in the provision of digital storage products	21 October 2021	0.5	5	Yes	18.64	16.67	18.64	(1.33)	
China Rongzhong Financial Holdings Company Limited	3963	Principally engaged in the provision of financial leasing services	26 October 2021	Nil	3	Yes	19.38	10.79	12.41	N/A (Note 1)	
Central Development Holdings Limited	475	Principally engaged in solar energy business	19 August 2022	Nil	3	Yes	0.00	0.82	(0.27)	1,133.33	
			Maximum	2.5	9		289.58	336.92	352.78	1,133.33	
			Minimum	0.5	3		0.00	0.82	(0.27)	(75.06)	
			Average (as applicable)	1.5	4.7		49.25	54.71	57.68	221.91	
			Median (as applicable)	1.5	5.0		6.38	7.00	9.90	6.05	
Eminence	616		14 December 2022	5	5	No (Note 2)	43.24	45.21	47.02	(92.89)	

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

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Notes:

1. As disclosed in the annual report for the year ended 31 March 2021 of China Rongzhong Financial Holdings Company Limited, China Rongzhong Financial Holdings Company Limited recorded net liabilities of approximately HK\$110.0 million as at 31 March 2021.
2. No assignment or transfer (whether in whole or in part) of the 2023 Convertible Note except with consent of Eminence or to (i) the holding company or (ii) the subsidiaries or affiliated companies of the holder of the 2023 Convertible Note or the fellow subsidiaries or fellow affiliated companies of the holder of the 2023 Convertible Note.

(i) Maturity and interest rate

As shown in the table above, the Comparable Issues have maturity terms ranging from three years to nine years with interest rates ranging from nil to 2.5% per annum, whereas the 2023 Convertible Note has a maturity term of five years with an interest rate of 5% per annum. The term of the 2023 Convertible Note falls within the respective range of the Comparable Issues but the interest rate of the 2023 Convertible Note is higher than the Comparable Issues. As mentioned in the Letter from the Eminence Board, the interest rate was determined by the parties after arm's length negotiations and with reference to (i) the prevailing market conditions; and (ii) the indicative costs of unsecured mid-term/long-term debt finance preliminarily quoted to Eminence by its banks upon enquiry. Also, Eminence had considered alternative financing methods such as bank borrowing currently with an increasingly high level of interest rate over 5%. As disclosed in the 2022 Interim Report, as at 30 September 2022, the effective interest of the Eminence Group's secured bank borrowings ranged from 3.10% to 5.01% per annum, the interest rate of 5% per annum falls within the Eminence effective interest of the Eminence Group's secured bank borrowings, given that the Eminence Group's secured bank borrowings as extracted from the 2022 Interim Report were set at earlier period, following the interest rate hikes by the US Federal Reserve in 2022, the banks in Hong Kong have been increasing their prime rates to follow, therefore the effective interest of secured bank borrowings should be higher than the range as mentioned above, which means the interest rate of 5% per annum should be falling within and would not be the high end of the effective interest of the Eminence Group's secured bank borrowings. We have further discussed with the Management and given to understand that Eminence had explored the latest interest rates from three (3) banks (not the same term as the 2023 Convertible Note which is convertible into Eminence Shares in nature) ranged from 5.6% to 6.6% per annum, the five (5)-year term interest rate of 5% per annum falls below the range. Also, the banks in Hong Kong have already increased their prime rate three (3) times in 2022 following the interest rate hikes by the US Federal Reserve, of which the US Federal Reserve had been raising the interest rate seven (7) times in 2022, from 0.25% to 0.50% and raised to 4.25% to 4.50% based on the latest meeting date by the Federal Open Market Committee in December 2022, the increasing trend in the prime rate may continue in 2023 of which the prime rate maybe even higher in the future. Considering the factors mentioned above and the alternative financing

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methods considered by Eminence, the interest rate of 5% per annum is higher than the Comparable Issues but lower than the interest rate of bank borrowing. Thus, we consider the term of the 2023 Convertible Note to be generally in line with the market practice and the interest rate of the 2023 Convertible Note although not in line with the market practice but justifiable.

(ii) Conversion price

The conversion price of HK\$0.106 per Conversion Share represents (i) a premium of approximately 43.24% over the closing price of HK\$0.074 per Eminence Share as quoted on the Stock Exchange on 30 November 2022, being the date of Sale and Purchase Agreements; (ii) a premium of approximately 45.21% over the average closing price of approximately HK\$0.073 per Eminence Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Sale and Purchase Agreements; and (iii) a premium of approximately 47.02% over the average closing price of approximately HK\$0.0721 per Eminence Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Sale and Purchase Agreements.

As shown in the table above, the conversion prices of the Comparable Issues ranged from (i) no discount or premium to a premium of approximately 289.58% over the closing prices of the respective shares on the date of the respective agreements; (ii) a premium of approximately 0.82% to a premium of approximately 336.92% over the average closing prices of respective shares for the last five consecutive trading days immediately prior to or up to and including the date of the respective agreements; (iii) a discount of approximately 0.27% to a premium of approximately 352.78% over the closing prices of respective shares of the last ten consecutive trading days immediately prior to or up to and including the date of the respective agreements; and (iv) a discount of approximately 75.06% to a premium of approximately 1,133.33% over the net asset value per share.

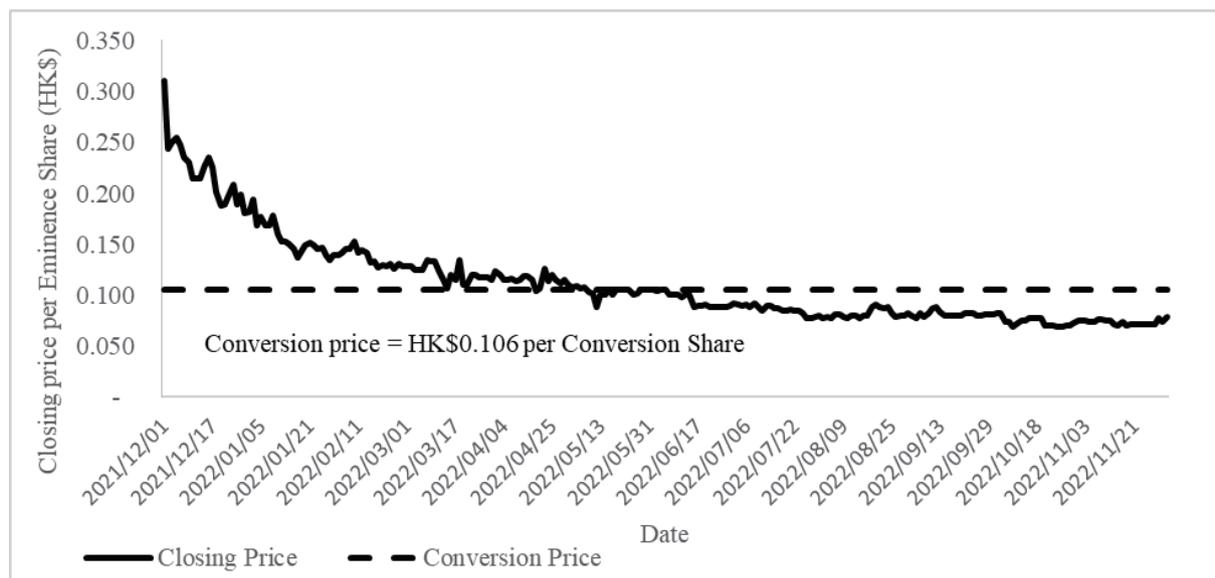
Given the premiums as represented by the conversion price over the closing price of the Eminence Share on the date of the Sale and Purchase Agreements; the average closing price of the Eminence Share for the last five consecutive trading days up to and including the date of the Sale and Purchase Agreements; the average closing price of the Eminence Share for the last ten consecutive trading days up to and including the date of the Sale and Purchase Agreements, being approximately 43.24%, 45.21% and 47.02%, respectively, which are considered to be within respective ranges of the Comparable Issues. The discount as represented by the conversion price over the unaudited net asset value per Eminence Share, being approximately 92.89%, is out of the range of the Comparable Issues.

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For further analysis purposes, in assessing the fairness and reasonableness of the discount of approximately 92.89% over the unaudited net asset value per Eminence Share based on the conversion price, we have further looked into the historical closing prices and historical trading volume of the Eminence Shares as quoted on the Stock Exchange for a twelve-month period (the “**Review Period**”) as follows:

Historical Eminence Share performance

The following chart sets forth the daily closing prices of the Eminence Share on the Stock Exchange during the Review Period:



In determining the conversion price, the Eminence Directors have reviewed the closing prices of the Eminence Shares during the period from 1 June 2022 and up to and including the date of the Sale and Purchase Agreements (the “**Relevant Period**”), as a benchmark to reflect the most recent trend of the prevailing market price of the Eminence Shares. During the Relevant Period, the Eminence Shares fluctuated within the range from HK\$0.069 per Eminence Share to HK\$0.105 per Eminence Share.

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Based on the chart above, during the Review Period, the Eminence Share price fluctuated between (i) the highest closing price of HK\$0.31 per Eminence Share as recorded on 1 December 2021; and (ii) the lowest closing price of HK\$0.069 per Eminence Share as recorded on 26 October 2022, and the movement of the Eminence Share price presents a downward trend in general throughout the Review Period. The conversion price of HK\$0.106 lies within the range of the lowest and highest closing prices of the Eminence Shares as quoted on the Stock Exchange during the Review Period.

In addition, we have reviewed the Eminence Share price performance against the net asset value per Eminence Share during the Review Period as follows:

Period (Note 1)	Net assets HK\$'000	Published net asset value per Eminence Share	Share price			Discount to net asset value per Eminence Share		
		(Note 2) HK\$	Highest HK\$	Lowest HK\$	Average HK\$	Highest %	Lowest %	Average %
1 December 2021 to 30 June 2022	2,552,138	2.65	0.31	0.09	0.14	88.3	96.6	94.7
1 July 2022 to 15 December 2022	3,015,187	1.42	0.092	0.069	0.079	93.5	95.1	94.4
							Average	94.6

Source: the website of the Stock Exchange

Notes:

1. The period represents the first trading day immediately after the publication of the relevant results announcement of Eminence during the Review Period.
2. The net asset value per Eminence Share is calculated based on the net asset value attributable to the Eminence Shareholders as extracted from respective results announcement of Eminence and divided by the total number of the Eminence Shares in issues as at the respective period end date.

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As set out in the table above, we noticed that, during the Review Period, the Eminence Shares have been constantly trading at discounts to the then net asset value per Eminence Shares. The discounts to the then net asset value per Eminence Share ranged from approximately 88.3% to 96.6%, with an average of approximately 94.6%. With respect to the conversion price, the discount of approximately 92.89% over the unaudited net asset value per Eminence Share of approximately HK\$1.49 as at 30 September 2022 based on the 2,125,924,676 Eminence Shares in issue as at 30 September 2022 is therefore lower than the average and within the range of the discounts of the net asset value per Eminence Share during the Review Period.

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

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Historical trading volume

Apart from the historical Eminence Share performance, we have also reviewed the average daily trading volume of the Eminence Shares for each month or period during the Review Period, details of which are set out below:

	Total trading volume of the Eminence Shares <i>Number of Eminence Shares</i>	Number of trading days in the month <i>Days</i>	Average daily trading volume of the Eminence Shares <i>Number of Eminence Shares</i>	Average daily trading volume as a percentage of the then total number of Eminence Shares issued <i>Approximately percentage</i>
2021				
December (starting from 1 December 2021)	52,117,517	22	2,368,978	0.00111%
2022				
January	65,535,120	21	3,120,720	0.00147%
February	46,490,801	17	2,734,753	0.00129%
March	11,122,141	23	483,571	0.00023%
April	137,944,921	18	7,663,607	0.00360%
May	51,645,255	20	2,582,263	0.00121%
June	244,877,346	21	11,660,826	0.00549%
July	49,990,320	20	2,499,516	0.00118%
August	18,840,665	23	819,159	0.00039%
September	25,118,780	21	1,196,132	0.00056%
October	17,232,542	20	861,627	0.00041%
November	26,385,045	22	1,199,320	0.00056%
December	34,752,325	10	3,475,233	0.00163%
2023				
January (up to the Latest Practicable Date)	6,507,590	11	591,599	0.00028%
Average for Review Period				0.00139%

Source: the website of the Stock Exchange

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As illustrated in the table above, during the Review Period, the percentage of average daily trading volume to total number of Eminence Shares issued ranged from approximately 0.00023% to 0.00549%, with an average of approximately 0.00139%. The average daily trading volume of the Eminence Share is considered to be relatively thin.

We have further discussed with the Management and were given to understand that the Eminence Directors considered it would be more appropriate for Eminence to determine the conversion price with reference to the prevailing market price of the Shares instead of making reference to the net asset value per Share. The Eminence Directors consider that the period from 1 June 2022 and up to and including 30 November 2022 could reflect the most recent trend of the prevailing market price of the Eminence Shares and considered more relevant in assessing the fairness of the conversion price.

Having considered that (i) the Shares had been consistently traded at a discount to the net asset value per Share during the Review Period, ranged from approximately 88.3% to 96.6%; (ii) the conversion price represents a premium over the closing price on, and the average closing price for last five and ten consecutive trading days up to and including the date of the Sale and Purchase Agreements and within respective range of the Comparable Issues; and (iii) the trading volume of the Eminence Shares during the Review Period was relatively thin, we concur with the Eminence Directors' view that (i) it would be more appropriate for Eminence to determine the conversion price with reference to the prevailing market prices of the Eminence Shares; and (ii) the conversion price is fair and reasonable so far as the Eminence Independent Shareholders are concerned.

5.4 Other alternative financing methods considered

We have discussed with the Management and were advised that Eminence has considered alternative financing methods, including equity fund raising methods by way of a rights issue or an open offer and bank borrowing to finance the acquisition of the Sale Companies.

With respect to equity fund raising methods by way of a rights issue or an open offer, the Eminence Directors are of the view, and we concur, that though it would not immediately dilute the interests of the Eminence Shareholders if all the Eminence Shareholders take up the offer, yet it is considered to be relatively costly as Eminence will have to engage professional parties which would incur additional professional fees and administrative costs of an estimate of not less than approximately HK\$1,000,000. Furthermore, in view of the comparatively thin trading volume of the Eminence Shares, it would be difficult for Eminence to pursue equity financing in the capital market without providing considerable discount to the prevailing market price of the Eminence Shares so as to attract potential investors and/or existing Eminence Shareholders, whereas having more dilution impact to the Eminence Shareholders as compared to the 2023 Convertible Note

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which will not cause any dilution unless and until it is converted. In addition, a rights issue or an open offer of new Eminence Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clauses in favour of the underwriter and may generally incur higher transaction costs (i.e. underwriting commission and other related fees).

Ability to obtain bank borrowing usually depends on the company's profitability and financial position as well as the prevailing market condition, and may be subject to lengthy due diligence and internal risk assessment by and negotiations with banks which usually require pledges of assets by the borrower. Having considered that the latest effective interest rates of bank borrowing quoted from three (3) banks in Hong Kong ranged from 5.6% to 6.6% per annum, the five(5)-year term interest rate of short-term bank financing currently with an increasingly high level of interest rates of over 5% while the interest rate of 5% per annum in the 2023 Convertible Note falls below the range, we concur with the Eminence Directors' view that, the settlement of part of the Aggregate Consideration by issuing the 2023 Convertible Note is a more viable option to Eminence which incurs less interest expense and avoids the substantial administrative works and costs as compared to those in obtaining bank borrowing. On the other hand, the debt component of the 2023 Convertible Note will become equity if there is a conversion, which implies that there will be no increase in the borrowing or conversion and therefore no impact to the gearing ratio of Eminence.

The Management has also considered that if Eminence were to raise the necessary funds by way of a rights issue or an open offer, the subscription price would have to be set at a deep discount to the prevailing market price of the Eminence Shares so as to attract potential investors and/or existing Eminence Shareholders. In addition, a rights issue or an open offer of new Eminence Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clauses in favour of the underwriter and may generally incur higher transaction costs (i.e. underwriting commission of approximately 1.5% (as per Eminence's last experience) and other related fees).

In addition, the Management further considered raising funds through the disposal of assets, such as the properties held for development for sale held by the Eminence Group which were valued at the amount of approximately HK\$3,105 million as at 30 September 2022. We concur with the view of the Eminence Board that it is not a suitable time to dispose of such properties for the purpose of settling the Balance, taking into account (i) the uncertainties and disruptions caused by the COVID-19 outbreak; (ii) the high transaction costs involved in the disposal of such properties (i.e. agent's commission of approximately 1% of the transaction amount); and (iii) the lengthy process in identifying purchasers of the properties which may range from three (3) months to one (1) year, or even longer (as the case may be) depending on the market condition.

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Having considered that the issue of the 2023 Convertible Note (i) enables Eminence to capture this investment opportunity in a timely manner; (ii) allows Eminence to have an additional financing option without significant immediate cash outflows; (iii) prevents Eminence offering deep discount to the prevailing market price of the Eminence Shares; and (iv) prevents Eminence to dispose of the properties held for development for sale with high transaction costs involved, we concur with the Eminence Board's view that such benefits outweigh the dilution impact on the minority Eminence Shareholders upon the full exercise of the 2023 Convertible Note.

Based on all of the above, having considered that (i) the maturity and interest rate are within range of the Comparable Issues; (ii) the premium of the conversion price is within range of the Comparable Issues; and (iii) other alternative financing methods being considered by the Eminence Directors, hence, we are of the view that the principal terms of the 2023 Convertible Note are on normal commercial terms, and fair and reasonable so far as the Eminence Independent Shareholders are concerned.

6. Possible financial effects of the entering into of the Sale and Purchase Agreements

On Completion, each of the Sale Companies will become indirect wholly-owned subsidiaries of Eminence. The unaudited pro forma financial information of the Post-Transaction Eminence Group as included in appendix VI to the Circular has been prepared by the Eminence Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Post-Transaction Eminence Group.

Effect on revenue and earnings

As discussed in the section headed "5. Basis of Aggregate Consideration" above, it is expected that acquisition of the Sale Companies will broaden Eminence's revenue base in view of the track record of financial performance of the Sale Companies. However, it is believed that the increase in the rental income from the Sale Companies will not outweigh the impact of the amount of interest expenses of the 2023 Convertible Note to be incurred before its maturity. Eminence Shareholders should note that the financial performance of the Sale Companies would also be affected by the gain or loss on changes in fair value of investment properties.

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Effect on financial positions

The unaudited pro forma consolidated total assets and total liabilities of the Post-Transaction Eminence Group would increase to approximately HK\$5,364 million and HK\$2,149 million respectively. Accordingly, the unaudited pro forma consolidated net asset value attributable to the Eminence Shareholders of the Post-Transaction Eminence Group would increase to approximately HK\$3,215 million.

Effect on liquidity and gearing ratio

The working capital position of the Post-Transaction Eminence Group is expected to decrease immediately upon the Completion, as the Cash Consideration will be sums of HK\$4.5 million in aggregate. According to the 2022 Interim Report, the bank balances and cash was approximately HK\$231.1 million as at 30 September 2022, meaning Eminence has sufficient cash resources to settle the Cash Consideration. Accordingly, the entering of the Sale and Purchase Agreements are not expected to exert considerable pressure to the working capital of the Post-Transaction Eminence Group upon Completion. As of 30 September 2022, the gearing ratio of the Eminence Group (measured as total bank borrowings to total equity) was approximately 0.56. Based on the unaudited pro forma consolidated statement of financial position of the Post-Transaction Eminence Group as set out in appendix VI, the gearing position of the Post-Transaction Eminence Group would increase to approximately 0.59.

7. Effect on the shareholding structure of Eminence

Eminence Independent Shareholders' attention is drawn to the section headed "Shareholding Structure" in the Letter from the Eminence Board for the details of changes in the shareholding structure of Eminence as a result of the conversion rights attached to the 2023 Convertible Note have been fully exercised.

As at the Latest Practicable Date, Eminence had of 2,125,924,676 Eminence Shares in issue. Assuming the conversion rights attached to the 2023 Convertible Note have been fully exercised, a total of 1,971,698,113 Conversion Shares will be allotted and issued at the initial conversion price of HK\$0.106 per Conversion Share, representing (i) approximately 92.7% of the issued share capital of Eminence as at the Latest Practicable Date; and (ii) approximately 48.1% of the enlarged issued share capital of Eminence after Completion and immediately upon the full exercise of the 2023 Convertible Note.

As set out in the Letter from the Eminence Board, the shareholding of the public Eminence Shareholders will be diluted from the current level of approximately 48.4% to approximately 25.1% upon the full exercise of the 2023 Convertible Note. However, such dilution effect is for

LETTER FROM THE EMINENCE INDEPENDENT FINANCIAL ADVISER

illustration purpose only as, subject to the terms and conditions of the 2023 Convertible Note, the holder of the 2023 Convertible Note shall not exercise any conversion rights to such extent that results or will result in less than 25% or the minimum prescribed percentage of the Eminence Shares as set out in the Listing Rules would be held by the public immediately after the relevant exercise of the conversion rights.

Having considered (i) the reasons for and benefits for the entering into of the Sale and Purchase Agreements as discussed in the section above; (ii) the fairness and reasonableness of the principal terms of the Sale and Purchase Agreements (including the Aggregate Consideration) and the issue of the 2023 Convertible Note as discussed in the section above; (iii) the generally positive financial effects of the entering into of the Sale and Purchase Agreements as discussed in the section above; and (iv) the full exercise of the 2023 Convertible Note will not result in a change in control of Eminence, we are of the view that the aforementioned dilution effect on the shareholding of the existing public Eminence Shareholders is acceptable.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that the terms of the Sale and Purchase Agreements (including the issue of the 2023 Convertible Note) are on normal commercial terms and fair and reasonable so far as the Eminence Independent Shareholders are concerned, and the acquisition of the Sale Companies 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 to be proposed at the Eminence SGM to approve the Sale and Purchase Agreements (including the issue of the 2023 Convertible Note) and the transactions contemplated thereunder.

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

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 24 years of experience in corporate finance industry.

* *For identification purposes only*

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 30 November 2022 of the Properties to be disposed and acquired by Easyknit and Eminence. Terms defined in this appendix applies to this appendix only.

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Colliers International (Hong Kong) Limited
Company Licence No: C-006052

Our Ref.: 22-24232

21 January 2023

Easyknit International Holdings Limited

7/F, Hong Kong Spinners Industrial Building, Block A, Phase 6
481–483 Castle Peak Road
Cheung Sha Wan, Kowloon, Hong Kong

Eminence Enterprise Limited

7/F, Hong Kong Spinners Industrial Building, Block A, Phase 6
481–483 Castle Peak Road
Cheung Sha Wan, Kowloon, Hong Kong

Dear Sirs,

Re: Valuation of

- (1) Ground Floor of No. 50 Yun Ping Road, Hong Kong; and
(2) Shops A and B on Ground Floor and Shop C on First Floor of One Victory, Nos. 1, 1A and 3 Victory Avenue, Kowloon
(the “Properties”)**

Terms of Engagement

We refer to our joint terms of engagement dated 30 November 2022 requesting us to conduct a valuation of the Properties which Easyknit International Holdings Limited and its subsidiaries have interests in Hong Kong, for disposal purposes and Eminence Enterprise Limited and its subsidiaries have interests in Hong Kong, for acquisition purposes (collectively referred to as “**Easyknit and Eminence**”). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Values of the Properties, as at 30 November 2022.

Valuation Standards

The valuation has been carried out in accordance with the prevailing valuation standards, namely, the Hong Kong Institute of Surveyors’ *HKIS Valuation Standards* and the Royal Institution of Chartered Surveyors’ *RICS Valuation — Global Standards*, incorporating the International Valuation Standards Council’s *International Valuation Standards*. We have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited.

Colliers International (Hong Kong) Limited is regulated by the Royal Institution of Chartered Surveyors (RICS) which monitors regulated firms under its conduct and disciplinary regulations.

In accordance with RICS regulatory requirements, Colliers International (Hong Kong) Limited maintains a complaints handling procedure, details of which are available upon request.

Valuation Date

The valuation date is 30 November 2022. Due to possible changes in market forces and circumstances in relation to the Properties, the report can only be regarded as representing our opinion of the values of the Properties as at the valuation date. We assume that the Properties are in the same conditions on the valuation date as the inspection date.

Valuation Basis

Our valuation is provided on the basis of Market Value which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Valuers

The valuation has been prepared by Stella Ho, Executive Director of Valuation and Advisory Services, assisted by Candy Tsang, Senior Associate Director of Valuation and Advisory Services. They have sufficient experience to carry out valuations of this size and nature.

Neither the valuers nor Colliers International (Hong Kong) Limited are aware of any pecuniary or other conflict of interest that would affect their ability to give an unbiased and objective opinion of the value of the Properties.

Valuation Assumptions

- No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the Properties are free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value.
- It is assumed that any land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the Properties have been fully paid and settled.
- We have assumed proper title has been obtained, and the Properties and the interest valued therein can be freely transferred, mortgaged and let in the market.
- As the Properties are held under a long term government lease in Hong Kong, we have assumed that the owner has free and uninterrupted rights to use the Properties for the whole of the unexpired term of the lease and/or the land use rights, in accordance with the terms of the lease/or the land use rights.
- We are not aware of any easements or rights of way affecting the Properties and have assumed that none exist.

- We have assumed that all information, estimates and opinions furnished to us and contained in this report including all information provided by Easyknit and Eminence, are true and correct, fit for valuation purposes, and from reliable sources. We can assume no responsibility for accuracy.
- We have not carried out any detailed site measurements to verify the correctness of areas, nor have we tested any of the services and facilities. We have assumed that the areas shown on the documents provided to us are correct and that the services and facilities are in good working order.
- We have assumed that the Properties are free from any contamination and environmental problems or hazards.
- We have assumed that the Properties have been constructed, occupied and used in full compliance with, and without contravention of, all relevant laws, ordinances and statutory requirements.
- We have assumed that for any use of the Properties upon which this valuation report is based, any and all required licences, permits, certificates, and authorisations have been obtained and are ordinarily renewable.
- We have assumed that the Properties are structurally sound, in a good state of repair and maintained in a condition fit for purpose.
- We have assumed current tenancies (if any) are of good covenant and will run their full terms at the current contracted rental levels.

Valuation Approaches and Methods

We have valued the Properties by the Market Approach.

The Market Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. In analysing such sales, which qualify as arm's-length transactions between willing buyers and sellers, adjustments are made to reflect differences between the comparables and the subject of this valuation in matters such as transaction dates, size, location, quality, age and any other relevant factors, to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence is available.

Inspections, Investigations and Sources of Information

External inspections of the Properties, befitting this valuation, was undertaken by Candy Tsang on 30 November 2022.

We confirm that we have made enquiries and obtained such information as we consider necessary to undertake the valuation. The information has been obtained from various sources including from Easyknit and Eminence, information already in the public domain and our own databases and has been verified as far as is reasonable.

We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, approvals, statutory notices, easements, tenure, areas, plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by Easyknit and Eminence that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Easyknit and Eminence which is material to the valuation.

No on-site measurements have been taken to verify the correctness of site areas. We have assumed that the site areas shown on documents provided to/obtained by us are correct.

No structural or environmental surveys have been carried out. Services and facilities have not been tested.

We have made enquiries at the Land Registry, but we have not searched the original documents nor verified the existence of any amendments that do not appear in the documents available to us.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the properties set out in this letter, the valuation summary and the valuation certificates.

Currency

All monetary figures stated in this report are in Hong Kong dollars (HKD).

Valuation Summary and Valuation Particulars are attached hereto and form part of this valuation report for disposal and acquisition purpose.

Yours faithfully,

For and on behalf of

Colliers International (Hong Kong) Limited

DRAFT

Stella Ho

BSSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA

Registered Real Estate Appraiser PRC

Executive Director

Valuation and Advisory Services

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors (Membership No. 1178305), a Member of the Hong Kong Institute of Surveyors (Membership No. 3626) and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region. She is suitably qualified to carry out the valuation and has over 20 years' experience in the real estate field and valuation of properties of this magnitude and nature.

VALUATION SUMMARY

Property interests held for investment purposes which is to be disposed and acquired by Easyknit and Eminence respectively:

No. The Properties	Market Value as at 30 November 2022
1. Ground Floor of No. 50 Yun Ping Road, Hong Kong	HKD241,700,000
2. Shops A and B on Ground Floor and Shop C on First Floor of One Victory, Nos. 1, 1A and 3 Victory Avenue, Kowloon	HKD90,900,000
Total	HKD332,600,000

VALUATION PARTICULARS

Property interests held for investment purposes which is to be disposed and acquired by Easyknit and Eminence respectively:

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 30 November 2022
1. Ground Floor of No. 50 Yun Ping Road, Hong Kong (the "Property")	The Property comprises a ground floor shop of a 5-storey composite building, known as No. 50 Yun Ping Road.	As advised by Easyknit and Eminence, the Property is subject to a tenancy as of the valuation date for a term of three years, commencing from 14 September 2020 and expiring on 13 September 2023, with a rent-free period of 1 month (from 14 September 2020 to 13 October 2020), at a monthly rent of HKD200,000, exclusive of Government Rent, Rates and management fees.	HKD241,700,000 (Hong Kong Dollars Two Hundred and Forty-One Million Seven Hundred Thousand Only)
1/6th Shares of the Remaining Portion of Section I of Inland Lot No. 457; and Section C of Sub-Section 3 of Section O of Inland Lot No. 29	As per the Occupation Permit issued by the Building Authority, the subject building was completed in 1954. As advised by Easyknit and Eminence, the gross floor area of the Property is approximately 1,200 sq. ft. The saleable area of the Property is approximately 919 sq. ft. The Remaining Portion of Section I of Inland Lot No. 457 is held under Government Lease for a term of 999 years commenced from 24 December 1865 and Section C of Sub-Section 3 of Section O of Inland Lot No. 29 is held under Government Lease for a term of 982 years commenced from 25 June 1860.		

Notes:

- (1) The registered owner of the Property is Asia Million Investment Limited, a wholly owned subsidiary of Easyknit International Holdings Limited, registered vide Memorial No. 15081700190033 dated 28 July 2015.
- (2) The Property was inspected by Candy Tsang MRICS on 30 November 2022.

- (3) The lot details of the Property are as follows:

Lot Number	Name of Lease Document	Lease Term	Government Rent
The Remaining Portion of Section I of Inland Lot No. 457	Government Lease	999 years commenced from 24 December 1865	HKD4.00 per annum
Section C of Sub-Section 3 of Section O of Inland Lot No. 29	Government Lease	982 years commenced from 25 June 1860	HKD5.99 per annum

- (4) The Property has/is subject to the following registrations/encumbrances:

- a) Deed of Covenant registered vide Memorial No. UB241656 dated 31 October 1955;
- b) Mortgage in favour of Hang Seng Bank Limited to Secure All Moneys in respect of General Banking Facilities registered vide Memorial No. 15081700190046 dated 28 July 2015 (for further details please refer to page 17 of the Circular);
- c) Assignment of Rental and Sales Proceeds in favour of Hang Seng Bank Limited registered vide Memorial No. 15081700190058 dated 28 July 2015;
- d) Superseding Order No. "C/TB/001172/17/HK" by The Building Authority under Section 24(1) of The Buildings Ordinance registered vide Memorial No. 17051000640192 dated 13 April 2017;
- e) Superseding Order No. "CSD/TB/016911/12/HK" by The Building Authority under Section 24(1) of The Buildings Ordinance registered vide Memorial No. 17051900470184 dated 13 April 2017;
- f) Notice No. "UMB/5OF101/1701-338/0001" by the Building Authority under S.30B(3) of the Buildings Ordinance registered vide Memorial No. 18110601270196 dated 19 June 2018;
- g) Notice No. "UMW/5OF101/1701-338/0001" by the Building Authority under S.30C(3) of the Buildings Ordinance registered vide Memorial No. 18110601270208 dated 19 June 2018;
- h) Memorandum Relating to A Tenancy Agreement dated 27 October 2020 (Remarks: term for 3 years from 14 September 2020 to 13 September 2023 with an option to renew of 2 years) in favour of Circle K Convenience Stores (HK) Limited registered vide Memorial No. 20111300070013 dated 27 October 2020;
- i) Sealed Copy of Re-re-amended Judgement as amended on 14 August 2018, 11 October 2018 & 18 November 2020 in HCA 1866/2014 in favour of Tang Sau Lin (Plaintiff), Youngfield Limited (1st Defendant), Asia Million Investment Limited (Pursuant to The Order Made By Master S. Lo on 20th September 2017) (2nd Defendant), Bixon Industries Limited (3rd Defendant), Silverlite Company Limited (4th Defendant), Lam Yum Chung (5th Defendant), Easy Plus Development Limited (6th Defendant), Jodwell Properties Limited (7th Defendant), Global Top Properties Limited (8th Defendant), Capital Wheel Investment Limited (9th Defendant), Million Grand Success Limited (10th Defendant), Ching Ming International Development Limited (11th Defendant), Rysun Company Limited (12th Defendant), Qiao Wu (Nominees) Limited (13th Defendant), Wealthy Channel Development Limited (14th Defendant), Chik Poon Yin (15th Defendant), Tak Mou Shing Company

Limited (16th Defendant), Mexan Trading Limited (17th Defendant), United Summit Ventures Corp. (18th Defendant), Golden Element Limited (19th Defendant), Wu Yi Construction Company Limited (20th Defendant) registered vide Memorial No. 21061600040012 dated 22 June 2018; and*

- j) Certificate of Charge on Property Under Section 18A (1) and (3A) of the Legal Aid Ordinance, Cap. 91 in favour of Director of Legal Aid (Remarks: re the Interest of Tang Sau Lin, re Four Metal Cabinets Built Over the Part of the Back Staircase of the Building known as No. 50 Yun Ping Road (the “**Building**”) which leads out on to Jardine’s Crescent (the “**Staircase**”) between the Basement Level and Ground Level of the Building and its Landings and the Area Underneath the Staircase. Identified as Cabinet Areas in Paragraph 4 of the Re-Re-Amended Judgment dated 22 June 2018 in HCA 1866/2014 which is Registered/in the Land Registry by Memorial No. 21061600040012 (the “**Said Judgment**”) and Coloured Yellow on Plan B Annexed to the Said Judgment) registered vide Memorial No. 22011401010013, dated 13 January 2022.

* The litigation refers to four metal cabinets built over the part of the back staircase of the building known as No. 50 Yun Ping Road. The back staircase does not fall within the area of the subject Property. Decision has been received from the High Court as registered under the Land Registry of the Property dated 22 June 2018. Extract below from the Judgement:

- The Plaintiff’s claim for a declaration that the Defendants be barred from bringing an action for recovery of the four metal cabinets built over the Occupied Area, as coloured yellow on Plan B annexed hereto (the “**Cabinet Areas**”), be allowed;
- The Plaintiff’s claim for a declaration that the Defendants’ title to and interest in the Cabinet Areas has been extinguished be allowed;
- The Plaintiff’s claim for a declaration that the Plaintiff has acquired a good possessory title to the Cabinet Areas and is entitled to be registered as owner of the same in the Land Registry be allowed.

We have assumed that the Properties are free from and clear of any and all charges, liens and encumbrances. (As per page 54 of the Circular: “*In deciding whether to proceed with the Acquisition, the Eminence Board considered with legal advisers the litigation or judgements relating to the Properties disclosed in the valuation report by Colliers, and came to the view that such litigation has no material impact on the Acquisition*”).

- (5) The Property falls within an area zoned as “Commercial” under the Approved Causeway Bay Outline Zoning Plan No. S/H6/17 gazetted on 18 January 2019.
- (6) The Property is on the northeast of Yun Ping Road. Developments in the vicinity are mainly commercial and composite buildings. Remarkable commercial developments in this area include Hysan Place, Times Square and Lee Garden. The Property is a one-minute walk to Causeway Bay MTR Station. Buses, public light buses, tram and taxis are available along Hennessy Road.

- (7) We have considered the following comparables in our valuation:

	Comparable 1	Comparable 2	Comparable 3
Name of Development	Hong Kong Mansion	Euro Trade Centre	Hong Kong Mansion
Address	No. 1 Yee Wo Street	13-14 Connaught Road Centre	No. 1 Yee Wo Street
District	Causeway Bay	Central	Causeway Bay
Year Built	1966	1982	1966
Floor	G/F & M/F	G	G
Unit	A3 on G/F & M1A3 on M/F	Y2	B
Frontage (m)	5.42	4.39	4.52
Fronting onto	Yee Wo Street	World Wide Lane	Yee Wo Street
Saleable Area (sq.ft.)	221	294	245
Ancillary Area (sq.ft.)	Cockloft: 220	—	Cockloft: 162
Transaction Date	27-Jan-22	30-Nov-21	29-Jan-21
Consideration (HK\$)	66,800,000	73,000,000	80,000,000
Saleable Unit Rate (HK\$/sq.ft.)	302,262	248,299	326,531
Nature of Transaction	PRO-ASP	PRO-ASP	ASP

- (8) We have made adjustments to reflect differences between the comparables and the subject of this valuation in matters such as time, location, size, frontage, age, headroom and layout.
- (9) Supply of retail properties increased in 2022. Several significant retail developments in Kowloon East will complete in 2023. Lifestyle International Holdings will provide an additional 900,000 sq. ft. GFA on NKIL 6557 for a SOGO department store in Kai Tak, while Sun Hung Kai Properties' APM+ will add 500,000 sq. ft. in Kwun Tong. The retail portion of Nan Fung's Airside will bring 700,000 sq. ft. to Kai Tak. In 2024, New World's Kai Tak Sports Park retail portion will inject an estimated 650,000 sq. ft. into the neighbourhood. Demand of retail property market also gradually recovered in 2021, in which the retail vacancy rate decreased by 1.2% to 10.2%, which is only 0.1% above from the 2019 level. The take-up also increased from approximately negative 1.17 million sq. ft. to around 1.56 million sq. ft. from 2020 to 2021. The significant decrease in the retail vacancy rate and increase in take-up reflect the momentum of the recovery of commercial property market.

Rental in the retail market has experienced a mild drop in the first half of 2022. Besides F&B operators which showed continuous expansion strength, banking and international labels are also taking the opportunity to relocate to first tier high streets and/or renew successfully in core shopping districts. The most significant transaction in Q3 2022 was in August when Fairland Holdings purchased the retail portion of Horae Place for HKD425 million in To Kwa Wan for renovation and repositioning it for a new tenant mix. In August 2022, Link REIT won the tender of non-office commercial-use land at Anderson Road Development Area in Kwun Tong for HKD766 million (A.V. HKD5,501 per sq. ft.). The site is located at the centre of the Anderson Road Development with a maximum GFA of 140,000 sq. ft. The development, due to complete in 2028, will be a shopping mall that serves the 30,000 people residing around it. It indicates that a well-positioned retail development will benefit from local economic recovery in the long term.

VALUATION PARTICULARS

Property interests held for investment purposes which is to be disposed and acquired by Easyknit and Eminence respectively:

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 30 November 2022
2. Shops A and B on Ground Floor and Shop C on First Floor of One Victory, Nos. 1, 1A and 3 Victory Avenue, Kowloon (the "Property")	The Property comprises the three shops within the commercial podium of a 27-storey composite building, known as One Victory.	As advised by Easyknit and Eminence, Shop A on the Ground Floor is subject to a tenancy as of the valuation date for a term of three years commencing from 1 April 2022 and expiring on 31 March 2025, at a monthly rent of HKD75,000 from 1 April 2022 to 31 March 2024 and HKD78,000 from 1 April 2024 to 31 March 2025, exclusive of Government Rent, Rates and management fees.	HKD90,900,000 (Hong Kong Dollars Ninety Million Nine Hundred Thousand Only)
10,108/100,000th shares of Kowloon Inland Lot No. 1343; and Kowloon Inland Lot No. 1344	As per the Occupation Permit issued by the Building Authority, the subject building was completed in 2011. The total saleable area of the Property is approximately 3,953 sq. ft. The breakdown is as follows: Property Saleable area (sq. ft.)	Shop B on Ground Floor is subject to a tenancy as of the valuation for a term of three years commencing from 15 December 2020 and expiring on 14 December 2023, with a rent-free period of 1 month (from 15 December 2020 to 14 January 2021) at a monthly rent of HKD50,000, exclusive of Government Rent, Rates and management fees.	
	Shop A 1,538 Shop B 502 Shop C 1,913	Shop C on First Floor is subject to a tenancy as of the valuation date for a term of two years commencing from 10 December 2021 and expiring on 9 December 2023, with a rent free period of 4.5 months (from 1 November 2022 to 31 December 2022 and 16 September 2023 to 30 November 2023) at a monthly rent of HKD63,000, exclusive of Government Rent, Rates and management fees.	
	The subject lots are held under Government Leases for a term of 75 years renewable for 75 years commenced from 1 December 1913.		

Notes:

(1) The registered owner of Shop A on Ground Floor of the Property is On Channel International Limited registered vide Memorial No. 13102201260024 dated 24 September 2013; the registered owner of Shop B on Ground Floor of the Property is Day Glory Investment Limited registered vide Memorial No. 13102201260043 dated 24 September 2013; and the registered owner of Shop C on First Floor of the Property is Well Honest Investment Limited registered vide Memorial No. 13102201260068 dated 24 September 2013. The registered owners of the shops are wholly owned subsidiaries of Easyknit International Holdings Limited.

(2) The Property was inspected by Candy Tsang MRICS on 30 November 2022.

(3) The lot details of the Property are as follows:

Lot Number	Name of Lease Document	Lease Term	Government Rent
Kowloon Inland Lot No. 1343	Government Lease	75 years renewable for 75 years commenced from 1 December 1913	HKD168,468 per annum
Kowloon Inland Lot No. 1344	Government Lease	75 years renewable for 75 years commenced from 1 December 1913	HKD166,260 per annum

(4) The Property has/is subject to the following registrations/encumbrances:

- a) Occupation Permit No. KN 32/2011(OP) registered vide Memorial No. 11092201470170 dated 12 September 2011;
- b) Offensive Trade Licence (From District Lands Officer, Kowloon West) registered vide Memorial No. 11101001840115 dated 22 September 2011;
- c) Deed of Mutual Covenant and Management Agreement with Plans in favour of Easyknit Properties Management Limited (Manager) registered vide Memorial No. 11102800930019 dated 6 October 2011; and
- d) Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 17020702790844 dated 23 January 2017 (for further details please refer to page 17 of the Circular).

(5) The Property falls within an area zoned as “Residential (Group A)” under the Approved Ho Man Tin Outline Zoning Plan No. S/K7/24 gazetted on 18 September 2015.

(6) The Property is on the south of Victory Avenue. Developments in the vicinity are mainly private residential developments and composite buildings. Residential developments in this area include Fair Way Garden, Vau Residence, Madera Garden and Seven Victory Avenue. The Property is an eight-minute walk to Mong Kok MTR Station and Mong Kok East MTR Station. Buses, public light buses and taxis are available along Waterloo Road.

(7) We have considered the following comparables in our valuation for Shop A & B on Ground Floor:

	Comparable 1	Comparable 2	Comparable 3
Name of Development	2 Victory Avenue	Tung Lung Court	Emma Place
Address	2 Victory Avenue	1 Julia Avenue	8 Emma Avenue
District	Ho Man Tin	Ho Man Tin	Ho Man Tin
Year Built	1966	1981	2001
Floor	G	G	LG & 1
Unit	Shop and Store	Whole	Whole
Frontage (m)	6.51	6.66	5.20
Fronting onto	Victory Avenue	Julia Avenue	Waterloo Road
Saleable Area (<i>sq.ft.</i>)	470	617	LG/F: 1,896 1/F: 1,274
Ancillary Area (<i>sq.ft.</i>)	Yard: 364 Store Room: 316	Yard: 292	—
Transaction Date	7-Nov-22	20-May-22	15-Apr-21
Consideration (HK\$)	22,880,000	19,780,000	55,000,000
Saleable Unit Rate (<i>HK\$/sq.ft.</i>)	48,681	32,058	17,350
Nature of Transaction	ASP	ASP	PRE-ASP
	Comparable 4	Comparable 5	Comparable 6
Name of Development	Victory Building	Victory Mansion	25A Soares Avenue
Address	67D Waterloo Road	14F-14G Victory Avenue	25A Soares Avenue
District	Ho Man Tin	Ho Man Tin	Ho Man Tin
Year Built	1973	1972	1973
Floor	G	G	G
Unit	B	A2	Whole
Frontage (m)	2.99	3.07	3.90
Fronting onto	Victory Avenue	Victory Avenue	Soares Avenue
Saleable Area (<i>sq.ft.</i>)	248	217	436
Ancillary Area (<i>sq.ft.</i>)	Yard: 27	—	Yard: 54
Transaction Date	12-Jan-22	5-Oct-21	23-Mar-21
Consideration (HK\$)	18,500,000	14,300,000	22,000,000
Saleable Unit Rate (<i>HK\$/sq.ft.</i>)	74,597	65,899	50,459
Nature of Transaction	ASP	PRE-ASP	ASP

- (8) We have considered the following comparables in our valuation for Shop C on First Floor:

	Comparable 1	Comparable 2
Name of Development	Park One	High Place
Address	3 Nam Cheong Street	33 Carpenter Road
District	Cheung Sha Wan	Kowloon City
Year Built	2019	2014
Floor	1/F	1/F
Unit	Restaurant 2	Whole
Saleable Area (<i>sq.ft.</i>)	4,441	2,453
Ancillary Area (<i>sq.ft.</i>)	Flat Roof: 591	Open Space on G/F: 53
Transaction Date	24-Jun-22	4-Feb-22
Consideration (HK\$)	56,470,000	32,880,000
Saleable Unit Rate (<i>HK\$/sq.ft.</i>)	12,716	13,404
Nature of Transaction	ASP	ASP

- (9) We have made adjustments to reflect differences between the comparables and the subject of this valuation in matters such as time, location, size, frontage, age, headroom and layout.
- (10) The Market Value of the Property as of the valuation date attributable to the respective portions are as follows:

Property	Shares of the Lots	Market Value as at 30 November 2022
Shop A on Ground Floor	3,607/100,000	HKD43,100,000
Shop B on Ground Floor	1,121/100,000	HKD24,200,000
Shop C on First Floor	5,380/100,000	HKD23,600,000

- (11) Supply of retail properties increased in 2022. Several significant retail developments in Kowloon East will complete in 2023. Lifestyle International Holdings will provide an additional 900,000 sq. ft. GFA on NKIL 6557 for a SOGO department store in Kai Tak, while Sun Hung Kai Properties' APM+ will add 500,000 sq. ft. in Kwun Tong. The retail portion of Nan Fung's Airside will bring 700,000 sq. ft. to Kai Tak. In 2024, New World's Kai Tak Sports Park retail portion will inject an estimated 650,000 sq. ft. into the neighbourhood. Demand of retail property market also gradually recovered in 2021, in which the retail vacancy rate decreased by 1.2% to 10.2%, which is only 0.1% above from the 2019 level. The take-up also increased from approximately negative 1.17 million sq. ft. to around 1.56 million sq. ft. from 2020 to 2021. The significant decrease in the retail vacancy rate and increase in take-up reflect the momentum of the recovery of commercial property market.

Rental in the retail market has experienced a mild drop in the first half of 2022. Besides F&B operators which showed continuous expansion strength, banking and international labels are also taking the opportunity to relocate to first tier high streets and/or renew successfully in core shopping districts. The most significant transaction in Q3 2022 was in August when Fairland Holdings purchased the retail portion of Horae Place for HKD425 million in To Kwa Wan for renovation and repositioning it for a new tenant mix. In August 2022, Link REIT won the tender of non-office commercial-use land at Anderson Road Development Area in Kwun Tong for HKD766 million (A.V. HKD5,501 per sq. ft.). The site is located at the centre of the Anderson Road Development with a maximum GFA of 140,000 sq. ft. The development, due to complete in 2028, will be a shopping mall that serves the 30,000 people residing around it. It indicates that a well-positioned retail development will benefit from local economic recovery in the long term.

APPENDIX II FINANCIAL INFORMATION OF THE EASYKNIT GROUP

1. FINANCIAL INFORMATION OF THE EASYKNIT GROUP

Financial information of the Easyknit Group for each of the financial years ended 31 March 2020, 2021 and 2022 and for the six months ended 30 September 2022 is disclosed in the following documents which have been published both on the websites of the Stock Exchange at <https://www.hkexnews.hk> and Easyknit at <https://www.easyknit.com>:

Interim report of the Easyknit Group for the six months ended 30 September 2022 (pages 40 to 88)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1220/2022122000311.pdf>

Annual report of the Easyknit Group for the year ended 31 March 2022 (pages 96 to 264)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200491.pdf>

Annual report of the Easyknit Group for the year ended 31 March 2021 (pages 82 to 227)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0719/2021071900312.pdf>

Annual report of the Easyknit Group for the year ended 31 March 2020 (pages 86 to 233)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0706/2020070600997.pdf>

2. INDEBTEDNESS

Borrowings

As at 30 November 2022, the Easyknit Group had outstanding bank borrowings amounted to approximately HK\$3,576,035,000, which were guaranteed by Easyknit and were secured by certain properties of the Easyknit Group. The bank borrowings are secured by charges over leasehold properties, investment properties, properties held for development for sale, properties held for sale, deposit and prepayments for a life insurance policy of the Group with carrying amounts of approximately HK\$192,895,000, HK\$2,063,353,000, HK\$4,598,629,000, HK\$782,647,000 and HK\$13,345,000 respectively at 30 November 2022.

Contingent Liabilities

As at 30 November 2022, the Easyknit Group did not have any material contingent liabilities.

Capital Commitments

As at 30 November 2022, the Easyknit Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$25,806,000.

APPENDIX II FINANCIAL INFORMATION OF THE EASYKNIT GROUP

Save as disclosed above and intra-group liabilities, the Easyknit Group did not have any debt securities authorised 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 materials contingent liabilities as at 30 November 2022.

3. WORKING CAPITAL

The Easyknit Directors, after due and careful consideration, are of the opinion that, after taking into account the financial resources available to the Easyknit Group including cash and cash equivalents on hand, its internally generated funds and existing facilities, the Easyknit Group has, sufficient working capital for its present requirement for the next 12 months from the date of this joint circular.

Easyknit has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Easyknit Directors are not aware of any material adverse change to the financial or trading position of the Easyknit Group since 31 March 2022, being the date of which the latest published audited consolidated accounts of Easyknit were made up, up to and including the latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE EASYKNIT GROUP

Easyknit Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses which property development and property investment are the core businesses of the Group.

In light of the prevailing difficulties and uncertainties of the COVID-19, the Hong Kong property market has been chilled by the pandemic over the past few years. Local banks did follow The US Federal Reserve to raise interest rates since the second half of 2022. The mortgage loans approved in the second half year of 2022 dropped and those financing secondary-market transactions plummeted over 30%. Despite this, residential prices still stood at a historical high. In addition, the infrastructure development by the Hong Kong Government such as railway development is expected to boost property activities. The sentiment in property market is expected to reverse in 2023.

APPENDIX II FINANCIAL INFORMATION OF THE EASYKNIT GROUP

Under the rolled-out targeted measures taken by the Government to boost domestic consumption, we have seen some sequential improvement in the overall Hong Kong economy since the second quarter in 2022. Total employment and the labour force participation rate have also picked up since June 2022, and pressures on the labour market are likely to ease further alongside a pick-up in local economic activities.

The Easyknit Group is confident in its business development and will continue to monitor the market changes closely and focusing its efforts in the development of its existing principal businesses while exploring other opportunities with a view to providing steady and favourable returns for its shareholders and strengthen every segment of its business.

APPENDIX III FINANCIAL INFORMATION OF THE EMINENCE GROUP

1. FINANCIAL SUMMARY OF THE EMINENCE GROUP

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

For the six months ended	Hyperlink	Principal relevant pages
30 September 2022	https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1220/2022122000289.pdf	48-108

For the year ended	Hyperlink	Principal relevant pages
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
31 March 2020	https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0618/2020061800324.pdf	77-213

2. WORKING CAPITAL

The Eminence Directors are of the opinion that, after taking into account its available financial resources, the Eminence Group has sufficient working capital for its requirements for the next twelve (12) months from the date of this joint 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 30 November 2022, being the latest practicable date for the purpose of determining the indebtedness of the Eminence Group prior to the printing of this joint circular, the Eminence Group had outstanding bank borrowings of approximately HK\$1,756,855,000, which were secured by charges over investment properties, properties held for development for sale and life insurance policies of the Eminence Group with carrying amounts of approximately HK\$998,953,000, HK\$3,151,216,000 and HK\$13,345,000 respectively at 30 November 2022 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

APPENDIX III FINANCIAL INFORMATION OF THE EMINENCE GROUP

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 30 November 2022.

4. FINANCIAL AND TRADING PROSPECTS OF THE EMINENCE GROUP

Although uncertainties in global economic outlook have been caused by softening global economic growth, high levels of inflation, continuous geo-political conflicts and multiple waves of the COVID-19, 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 at the Latest Practicable Date there had been no material adverse change in the financial or trading position or outlook of the Eminence Group since 31 March 2022, the date to which the latest published audited financial statements of Eminence were made up, up to and including the Latest Practicable Date.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The following is the text of a report in relation to Company A received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this joint circular:



21 January 2023

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ON CHANNEL INTERNATIONAL LIMITED TO THE DIRECTORS OF EMINENCE ENTERPRISE LIMITED

Introduction

We report on the historical financial information of On Channel International Limited (“**Company A**”) set out on pages IV-4 to IV-33, which comprises the statements of financial position of Company A as at 31 March 2020, 2021, 2022 and 30 September 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Easyknit International Holdings Limited (“**Easyknit**”) and Eminence Enterprise Limited (“**Eminence**”) jointly dated 21 January 2023 in connection with the proposed acquisition of the entire equity interests in Company A by the Eminence.

Director’s responsibility for the Historical Financial Information

The directors of Company A are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on the Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of Company A’s financial position as at 31 March 2020, 2021 and 2022 and 30 September 2022, and of Company A’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the Historical Financial Information which mentions that Company A incurred a loss of HK\$3,102,385 and HK\$2,243,221 for the year ended 31 March 2020 and 2021, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company A had net current liabilities of HK\$23,356,358, HK\$23,099,569, HK\$22,839,004 and HK\$22,658,117, respectively. These conditions indicate a material uncertainty which may cast significant doubt on Company A’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Company A which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of Company A are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-4 have been made.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Audit Engagement Director

Practising Certificate Number P05988

Hong Kong, 21 January 2023

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

HISTORICAL FINANCIAL INFORMATION OF COMPANY A

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Company A has adopted 31 March as the financial year end date.

The Historical Financial Information in this report was prepared based on previously issued financial statements of the Company A for the Relevant Periods. The previously issued financial statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Hong Kong dollars (“HK\$”).

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Six months ended	
		2020	2021	2022	2021	2022
	Notes	HK\$	HK\$	HK\$	HK\$	HK\$
					(unaudited)	
Revenue	8	863,000	765,500	787,710	356,500	450,000
Other income	9	850	—	850	—	—
Administrative and other operating expenses		(88,604)	(42,259)	(60,664)	(19,829)	(19,149)
(Loss)/gain arising from change in fair value of investment property	14	(3,500,000)	(2,500,000)	1,100,000	2,100,000	3,600,000
Finance costs	10	(377,631)	(466,452)	(462,402)	(231,720)	(226,862)
(Loss)/profit before tax		(3,102,385)	(2,243,211)	1,365,494	2,204,951	3,803,989
Income tax expense	11	—	—	(4,929)	—	(23,102)
(Loss)/profit and total comprehensive (expense)/income for the year/period	12	(3,102,385)	(2,243,211)	1,360,565	2,204,951	3,780,887

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March		As at 30 September	
		2020	2021	2022	2022
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current asset					
Investment property	<i>14</i>	40,900,000	38,400,000	39,500,000	43,100,000
Current assets					
Prepayments, deposits and other receivables		215,641	179,192	95,351	70,962
Tax recoverable		—	5,469	—	—
Bank balances and cash		629,064	331,041	484,882	197,372
		<u>844,705</u>	<u>515,702</u>	<u>580,233</u>	<u>268,334</u>
Current liabilities					
Accruals and other payables		26,000	13,000	12,500	6,250
Rental deposits received		172,700	172,700	178,750	178,750
Amount due to ultimate holding company	<i>15</i>	23,969,237	23,398,058	23,206,388	22,683,250
Amounts due to fellow subsidiaries	<i>16</i>	33,126	31,513	20,163	33,663
Tax payable		—	—	1,436	24,538
		<u>24,201,063</u>	<u>23,615,271</u>	<u>23,419,237</u>	<u>22,926,451</u>
Net current liabilities		<u>(23,356,358)</u>	<u>(23,099,569)</u>	<u>(22,839,004)</u>	<u>(22,658,117)</u>
NET ASSETS		<u>17,543,642</u>	<u>15,300,431</u>	<u>16,660,996</u>	<u>20,441,883</u>
Capital and reserves					
Share capital	<i>17</i>	1	1	1	1
Retained earnings		17,543,641	15,300,430	16,660,995	20,441,882
TOTAL EQUITY		<u>17,543,642</u>	<u>15,300,431</u>	<u>16,660,996</u>	<u>20,441,883</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2019	1	20,646,026	20,646,027
Loss and total comprehensive expense for the year	—	(3,102,385)	(3,102,385)
At 31 March 2020 and 1 April 2020	1	17,543,641	17,543,642
Loss and total comprehensive expense for the year	—	(2,243,211)	(2,243,211)
At 31 March 2021 and 1 April 2021	1	15,300,430	15,300,431
Profit and total comprehensive income for the year	—	1,360,565	1,360,565
At 31 March 2022 and 1 April 2022	1	16,660,995	16,660,996
Profit and total comprehensive income for the period	—	3,780,887	3,780,887
At 30 September 2022	<u>1</u>	<u>20,441,882</u>	<u>20,441,883</u>
At 1 April 2021	1	15,300,430	15,300,431
Profit and total comprehensive income for the period (unaudited)	—	2,204,951	2,204,951
At 30 September 2021 (unaudited)	<u>1</u>	<u>17,505,381</u>	<u>17,505,382</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(3,102,385)	(2,243,211)	1,365,494	2,204,951	3,803,989
Adjustments for:					
Interest expense	377,631	466,452	462,402	231,720	226,862
Loss/(gain) arising from change in fair value of investment property	3,500,000	2,500,000	(1,100,000)	(2,100,000)	(3,600,000)
Operating cash flows before working capital changes	775,246	723,241	727,896	336,671	430,851
Change in prepayments, deposits and other receivables	(175,495)	36,449	83,841	(24,861)	24,389
Change in accruals and other payables	—	(13,000)	(500)	(6,750)	(6,250)
Change in rental deposits received	172,700	—	6,050	—	—
Cash generated from operations	772,451	746,690	817,287	305,060	448,990
Hong Kong Profits Tax (paid)/refund	—	(5,469)	1,976	—	—
Net cash generated from operating activities	<u>772,451</u>	<u>741,221</u>	<u>819,263</u>	<u>305,060</u>	<u>448,990</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(374,238)	(377,631)	(854,072)	(466,452)	—
Advance from/(repayment to) ultimate holding company	206,000	(660,000)	200,000	200,000	(750,000)
Advance from/(repayment to) fellow subsidiaries	20,512	(1,613)	(11,350)	(17,013)	13,500
Net cash used in financing activities	<u>(147,726)</u>	<u>(1,039,244)</u>	<u>(665,422)</u>	<u>(283,465)</u>	<u>(736,500)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	624,725	(298,023)	153,841	21,595	(287,510)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	<u>4,339</u>	<u>629,064</u>	<u>331,041</u>	<u>331,041</u>	<u>484,882</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u><u>629,064</u></u>	<u><u>331,041</u></u>	<u><u>484,882</u></u>	<u><u>352,636</u></u>	<u><u>197,372</u></u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Company A was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. Its registered office and principal place of business is at Block A, 7th Floor, Hong Kong Spinners Building Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

In the opinion of the directors of Company A (the “**Directors**”), Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Island, is the immediate holding company. Easyknit, an exempted company incorporated in Bermuda, is the ultimate holding company with its shares listed on The Stock Exchange of Hong Kong Limited (Stock code: 1218).

During the Relevant Periods, the principal activity of Company A was property investment in Hong Kong, and the property owned by Company A is located at Shop A on Ground Floor of One Victory, Nos. 1, 1A and 3 Victory Avenue, Kowloon, Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Company A incurred a loss of HK\$3,102,385 and HK\$2,243,221 for the years ended 31 March 2020 and 2021, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company A had net current liabilities of HK\$23,356,358, HK\$23,099,569, HK\$22,839,004 and HK\$22,658,117, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on Company A’s ability to continue as a going concern. Therefore, Company A may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of Company A. The controlling shareholder has agreed to provide adequate funds for Company A to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should Company A be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of Company A’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information does not constitute Company A’s statutory annual financial statements for any of the financial years ended 31 March 2020, 2021 and 2022 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As Company A is a private company, Company A is not required to deliver its statutory financial statements to the Registrar of Companies, and has not done so.

Company A’s auditor has reported on these statutory annual financial statements for all three years. The independent auditor’s reports for each of these three years was unqualified, included a reference to going concern to which the auditor drew attention by way of emphasis, and do not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Relevant Periods, Company A has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on or after 1 April 2022. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to Company A’s accounting policies, presentation of the Historical Financial Information and amounts reported for the current period and prior years.

Company A has not applied the new and revised HKFRSs that have been issued but are not yet effective. Company A has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of investment property which are carried at their fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Foreign currency translation

Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which Company A operates (the “**functional currency**”). The Historical Financial Information are presented in Hong Kong dollars (“**HK\$**”), which is Company A’s functional and presentation currency.

Transactions and balances in Historical Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment Property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

Company A as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company A becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; Company A transfers substantially all the risks and rewards of ownership of the assets; or Company A neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of Company A are classified under financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

Company A recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, Company A measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“**lifetime expected credit losses**”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, Company A measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of Company A's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of Company A after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Company A has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by Company A are initially measured at their fair values and, if not designed as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the loss allowance; and

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

- (ii) the amount initially recognised less cumulative amortisation recognised in profit or loss over the terms of guarantee contracts.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by Company A are recorded at the proceeds received, net of direct issue costs.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of Company A that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Company A's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Company A is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Company A expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of Company A whose business

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Company A intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to Company A.

(A) A person or a close member of that person's family is related to Company A if that person:

- (i) has control or joint control over Company A;
- (ii) has significant influence over Company A;
- (iii) is a member of the key management personnel of Company A or of a parent of Company A.

(B) An entity is related to Company A if any of the following conditions applies:

- (i) The entity and Company A are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either Company A or an entity related to Company A. If Company A is itself such a plan, the sponsoring employers are also related to Company A.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Company A or to a parent of Company A.

Impairment of assets

At the end of each reporting period, Company A reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, Company A estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Company A has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about Company A's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern basis

The Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of Company A. Details are explained in note 2 to Historical Financial Information.

Deferred tax for investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed Company A's investment property and concluded that while Company A's investment property located in Hong Kong is depreciable, it is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining Company A's deferred taxation arising from this investment property located in Hong Kong, the management determined that the presumption that investment property measured using the fair value model is recovered through sale is not rebutted.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair values of investment property

Company A appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

6. FINANCIAL RISK MANAGEMENT

Company A's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. Company A's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Company A's financial performance.

Foreign currency risk

Company A has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$.

Credit risk

The carrying amount of the bank balances and cash and other receivables included in the statement of financial position represents Company A's maximum exposure to credit risk in relation to Company A's financial assets.

Company A has no significant concentrations of credit risk.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

Company A considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with Company A. Company A normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, Company A, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Company A uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, Company A considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

For financial guarantee contracts, the maximum amount that Company A has guaranteed under the respective contracts was HK\$34,149,600, HK\$32,442,120, HK\$48,999,417 and HK\$48,013,077 as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. At the end of the reporting period, the directors of Company A have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by Company A is measured at an amount equal to 12 months expected credit loss. No loss allowance was made in the Historical Financial Information. Details of the financial guarantee contracts are set out in note 22.

Liquidity risk

Company A's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of Company A's financial liabilities are due within one year.

Interest rate risk

Company A's amount due to ultimate holding company bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Fair values

The carrying amounts of Company A's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

Categories of financial instruments at the end of the reporting period

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
<i>Financial assets:</i>				
Financial assets at amortised cost (including cash and cash equivalents)	<u>843,171</u>	<u>513,717</u>	<u>578,248</u>	<u>267,538</u>
<i>Financial liabilities:</i>				
Financial liabilities at amortised cost	<u>24,175,063</u>	<u>23,603,271</u>	<u>23,405,301</u>	<u>22,895,663</u>

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that Company A can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Company A's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			As at 31 March 2020
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	40,900,000	40,900,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2021
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	38,400,000	38,400,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2022
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	39,500,000	39,500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

	Fair value measurements using:			As at 30 September 2022
	Level 1	Level 2	Level 3	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	43,100,000	43,100,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the Relevant Periods, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. Company A's policy is to recognise transfer between levels of fair value hierarchy as at the end of the Relevant Periods in which they occur.

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment property				
	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
At the beginning of the year/period	44,400,000	40,900,000	38,400,000	38,400,000	39,500,000
Total (losses)/gains recognised in profit or loss (#)	<u>(3,500,000)</u>	<u>(2,500,000)</u>	<u>1,100,000</u>	<u>2,100,000</u>	<u>3,600,000</u>
At the end of the year/period	<u>40,900,000</u>	<u>38,400,000</u>	<u>39,500,000</u>	<u>40,500,000</u>	<u>43,100,000</u>
(#) include gains or losses for assets held at end of the Relevant Periods	<u>(3,500,000)</u>	<u>(2,500,000)</u>	<u>1,100,000</u>	<u>2,100,000</u>	<u>3,600,000</u>

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in the statement of profit or loss and other comprehensive income.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(c) Disclosure of valuation process used by Company A and valuation techniques and inputs used in fair value measurements:

Company A's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and directors at least twice a year.

For level 3 fair value measurements, Company A will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

As at 31 March 2020, 2021 and 2022 and 30 September 2022, Company A has engaged an independent valuer, Colliers International (Hong Kong) Limited, to determine the fair values of the investment property.

Key unobservable inputs used in level 3 fair value measurements are mainly:

Investment property held by Company A	Fair value at	Fair value hierarchy	Valuation techniques key inputs	Significant unobservable inputs	Sensitivity
Commercial unit	31 March 2020: HK\$40,900,000 31 March 2021: HK\$38,400,000 31 March 2022: HK\$39,500,000 30 September 2022: HK\$43,100,000	Level 3	Income approach — term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the condition of the building, which is 2.5%, 2.5%, 2.5% and 2.5% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the term yield and reversionary yield, the lower the fair value

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment property held by Company A	Fair value at	Fair value hierarchy	Valuation techniques key inputs	Significant unobservable inputs	Sensitivity
			— reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, which is 3.0%, 3.1%, 3.1% and 3.0% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	
			— monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements, which is HK\$41 per square foot, HK\$49 per square foot, HK\$49 per square foot and HK\$50 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the monthly term rental, the higher the fair value
			— reversionary rental	Market monthly rental rate, which is HK\$56 per square foot, HK\$65 per square foot, HK\$66 per square foot and HK\$72 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the reversionary rental, the higher the fair value

During the Relevant Periods, there were no changes in the valuation techniques used.

8. REVENUE

Revenue represents rental income received or receivable from property leasing during the year/period which fall outside the scope of HKFRS 15.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

9. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Sundry income	850	—	850	—	—

10. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Interest on amount due to ultimate holding company (<i>note 23</i>)	377,631	466,452	462,402	231,720	226,862

11. INCOME TAX EXPENSE

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Current tax — Hong Kong Profits Tax: Provision for the year/period	—	—	4,929	—	23,102

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2022 and six months ended 30 September 2022. No provision for Hong Kong Profits Tax has been provided since Company A did not generate any assessable profit during the years ended 31 March 2020 and 2021 and six months ended 30 September 2021.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Reconciliation between income tax expense and accounting profit/(loss) at Hong Kong Profits Tax rates:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
(Loss)/profit before tax	(3,102,385)	(2,243,211)	1,365,494	2,204,951	3,803,989
Tax at the Hong Kong Profits					
Tax rate of 16.5%	(511,894)	(370,130)	225,307	363,817	627,658
Tax effect of income that is not taxable for tax purposes	—	—	(181,500)	(346,500)	(594,000)
Tax effect of expenses that are not deductible for tax purposes	577,500	412,500	—	—	—
Tax effect of utilisation of tax losses not previously recognised	(44,496)	(21,260)	(17,768)	(6,762)	—
Others	(21,110)	(21,110)	(21,110)	(10,555)	(10,556)
Income tax expense for the year/period	<u>—</u>	<u>—</u>	<u>4,929</u>	<u>—</u>	<u>23,102</u>

At 31 March 2020, 2021, 2022 and 30 September 2022, Company A has unused tax losses of approximately HK\$237,000, HK\$108,000, HK\$Nil and HK\$Nil available for offset against future profits, respectively. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

12. (LOSS)/PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Director's emoluments					
— As director	—	—	—	—	—
— For management	—	—	—	—	—
Staff costs including director's emoluments					
Salaries, bonus and allowances	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
Auditor's remuneration					
— Current year	26,000	12,000	12,500	6,250	6,250
— (Over-provision)/under-provision in prior year	—	(14,000)	500	500	—
	<u>26,000</u>	<u>(2,000)</u>	<u>13,000</u>	<u>6,750</u>	<u>6,250</u>

13. DIVIDENDS

The Directors of Company A do not recommend the payment of any dividend for the Relevant Periods.

14. INVESTMENT PROPERTY

	As at 31 March			As at
				30 September
	2020	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At the beginning of the year/period	44,400,000	40,900,000	38,400,000	39,500,000
Fair value (loss)/gain	(3,500,000)	(2,500,000)	1,100,000	3,600,000
At the end of the year/period	<u>40,900,000</u>	<u>38,400,000</u>	<u>39,500,000</u>	<u>43,100,000</u>

Company A lease out its investment property under operating lease. The lease term is 2 years, 2 years, 3 years and 2 years as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. The lease is on a fixed rental basis and do not include variable lease payments.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Management reviews the valuation performed by the independent valuer for financial reporting purposes. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of the investment property equates the best use.

For the fair value measurement of investment property please refer to note 7.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due was unsecured, interest bearing at a fixed rate of 1.6%, 2.0%, 2.0% and 2.0% per annum as at 31 March 2020, 2021, 2022 and 30 September 2022 and repayable on demand, respectively.

16. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due were unsecured, non-interest bearing and repayable on demand.

17. SHARE CAPITAL

HK\$

1 ordinary share of HK\$1 issued and fully paid

At 1 April 2019, 31 March 2020, 2021, 2022 and 30 September 2022

1

18. CAPITAL RISK MANAGEMENT

Company A manages its capital to ensure Company A will be able to continue as a going concern while maximising the return to sole shareholder through the optimisation of the debt and equity balances. Company A's overall strategy remains unchanged from prior year/period.

The capital structure of Company A consists of debts, which includes amount due to ultimate holding company, amounts due to fellow subsidiaries and equity of Company A, comprising issued share capital and retained earnings.

The directors of Company A reviews the capital structure periodically. Company A considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares buy-backs as well as the raising of new debts if required.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

19. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows Company A's changes in liabilities arising from financing activities during the Relevant Periods:

	Amounts due to fellow subsidiaries <i>HK\$</i>	Amount due to ultimate holding company <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2019	12,614	23,759,844	23,772,458
Changes in cash flows	20,512	(168,238)	(147,726)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	377,631	377,631
At 31 March 2020 and 1 April 2020	33,126	23,969,237	24,002,363
Changes in cash flows	(1,613)	(1,037,631)	(1,039,244)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	466,452	466,452
At 31 March 2021 and 1 April 2021	31,513	23,398,058	23,429,571
Changes in cash flows	(11,350)	(654,072)	(665,422)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	462,402	462,402
At 31 March 2022 and 1 April 2022	20,163	23,206,388	23,226,551
Changes in cash flows	13,500	(750,000)	(736,500)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	226,862	226,862
At 30 September 2022	<u>33,663</u>	<u>22,683,250</u>	<u>22,716,913</u>
At 1 April 2021	31,513	23,398,058	23,429,571
Changes in cash flows (unaudited)	(17,013)	(266,452)	(283,465)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company (unaudited)	—	231,720	231,720
At 30 September 2021 (unaudited)	<u>14,500</u>	<u>23,363,326</u>	<u>23,377,826</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

20. PLEDGE OF ASSETS

At 31 March 2020, 2021, 2022 and 30 September 2022 investment property of Company A with a carrying amount of HK\$40,900,000, HK\$38,400,000, HK\$39,500,000 and HK\$43,100,000 is pledged to a bank to secure credit facilities granted to the ultimate holding company, respectively. In addition, rentals and future sales proceeds in respect of this investment property are also pledged to the bank.

21. OPERATING LEASE COMMITMENT**Company A as lessor**

Company A leases out investment property under operating lease. The future aggregate minimum lease rental receivable under non cancellable operating lease in respect of investment property as follows:

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
Within one year	900,000	900,000	900,000	918,000
In the second to fifth year inclusive	900,000	—	1,872,000	1,404,000
	<u>1,800,000</u>	<u>900,000</u>	<u>2,772,000</u>	<u>2,322,000</u>

Under the lease entered into by Company A, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2020, 2021, 2022 and 30 September 2022, the investment property has a committed tenant for a term of two years, two year, three years and two years, respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

22. CONTINGENT LIABILITIES

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
Corporate guarantees given to a bank for credit facilities granted to the ultimate holding company	<u>34,149,600</u>	<u>32,442,120</u>	<u>48,999,417</u>	<u>48,013,077</u>

In the opinion of the directors, the fair value of the financial guarantee contracts at grant date was insignificant.

23. RELATED PARTY TRANSACTIONS

Other than as disclosed transaction and balance elsewhere in notes 10, 15, 16, 20 and 22 to the Historical Financial Information, during the Relevant Period, Company A had the following transactions with its related parties during the Relevant Periods:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
Agency fee paid to a fellow subsidiary	<u>33,126</u>	<u>19,138</u>	<u>20,163</u>	<u>—</u>	<u>—</u>

(unaudited)

24. EVENTS AFTER THE REPORTING PERIOD

No audited financial statements have been prepared by Company A in respect of any period subsequent to 30 September 2022.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The following is the text of a report in relation to Company B received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this joint circular:



21 January 2023

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF DAY GLORY INVESTMENT LIMITED TO THE DIRECTORS OF EMINENCE ENTERPRISE LIMITED

Introduction

We report on the historical financial information of Day Glory Investment Limited (“**Company B**”) set out on pages IV-37 to IV-67, which comprises the statements of financial position of Company B as at 31 March 2020, 2021 and 2022 and 30 September 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Easyknit International Holdings Limited (“**Easyknit**”) and Eminence Enterprise Limited (“**Eminence**”) jointly dated 21 January 2023 in connection with the proposed acquisition of the entire equity interests in Company B by the Eminence.

Director’s responsibility for the Historical Financial Information

The directors of Company B are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on the Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of Company B’s financial position as at 31 March 2020, 2021 and 2022 and 30 September 2022, and of Company B’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the Historical Financial Information which mentions that Company B incurred a loss of HK\$2,203,042 and HK\$1,398,088 for the years ended 31 March 2020 and 2021, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company B had net current liabilities of HK\$19,932,417, HK\$19,930,505, HK\$19,786,512 and HK\$19,706,547, respectively. These conditions indicate a material uncertainty which may cast significant doubt on Company B’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Company B which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of Company B are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-37 have been made.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Audit Engagement Director

Practising Certificate Number P05988

Hong Kong, 21 January 2023

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

HISTORICAL FINANCIAL INFORMATION OF COMPANY B

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Company B has adopted 31 March as the financial year end date.

The Historical Financial Information in this report was prepared based on previously issued financial statements of the Company B for the Relevant Periods. The previously issued financial statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”).

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		Six months ended		
				30 September		
		2020	2021	2022	2021	2022
<i>Notes</i>		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
					(unaudited)	
Revenue	8	807,750	463,098	583,333	291,667	291,667
Other income	9	—	850	—	—	—
Administrative and other operating expenses		(78,477)	(67,565)	(44,055)	(15,329)	(14,880)
(Loss)/gain arising from change in fair value of investment property	14	(2,200,000)	(1,400,000)	800,000	1,100,000	2,600,000
Finance costs	10	(732,316)	(394,471)	(395,285)	(198,184)	(196,822)
(Loss)/profit before tax		(2,203,043)	(1,398,088)	943,993	1,178,154	2,679,965
Income tax credit	11	1	—	—	—	—
(Loss)/profit and total comprehensive (expense)/income for the year/period	12	<u>(2,203,042)</u>	<u>(1,398,088)</u>	<u>943,993</u>	<u>1,178,154</u>	<u>2,679,965</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March			As at
		2020	2021	2022	30 September
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2022 <i>HK\$</i>
Non-current asset					
Investment property	14	22,200,000	20,800,000	21,600,000	24,200,000
Current assets					
Prepayments, deposits and other receivables		79,097	52,487	35,907	27,234
Bank balances and cash		783,891	380,217	198,632	140,342
		<u>862,988</u>	<u>432,704</u>	<u>234,539</u>	<u>167,576</u>
Current liabilities					
Accruals and other payables		26,000	12,000	12,500	6,250
Rental deposits received		238,115	165,615	165,615	165,615
Amount due to ultimate holding company	15	20,496,565	20,158,720	19,828,144	19,674,966
Amounts due to fellow subsidiaries	16	34,725	26,874	14,792	27,292
		<u>20,795,405</u>	<u>20,363,209</u>	<u>20,021,051</u>	<u>19,874,123</u>
Net current liabilities		<u>(19,932,417)</u>	<u>(19,930,505)</u>	<u>(19,786,512)</u>	<u>(19,706,547)</u>
NET ASSETS		<u>2,267,583</u>	<u>869,495</u>	<u>1,813,488</u>	<u>4,493,453</u>
Capital and reserves					
Share capital	17	1	1	1	1
Retained earnings		2,267,582	869,494	1,813,487	4,493,452
TOTAL EQUITY		<u>2,267,583</u>	<u>869,495</u>	<u>1,813,488</u>	<u>4,493,453</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2019	1	4,470,624	4,470,625
Loss and total comprehensive expense for the year	—	(2,203,042)	(2,203,042)
At 31 March 2020 and 1 April 2020	1	2,267,582	2,267,583
Loss and total comprehensive expense for the year	—	(1,398,088)	(1,398,088)
At 31 March 2021 and 1 April 2021	1	869,494	869,495
Profit and total comprehensive income for the year	—	943,993	943,993
At 31 March 2022 and 1 April 2022	1	1,813,487	1,813,488
Profit and total comprehensive income for the period	—	2,679,965	2,679,965
At 30 September 2022	<u>1</u>	<u>4,493,452</u>	<u>4,493,453</u>
At 1 April 2021	1	869,494	869,495
Profit and total comprehensive income for the period (unaudited)	—	1,178,154	1,178,154
At 30 September 2021 (unaudited)	<u>1</u>	<u>2,047,648</u>	<u>2,047,649</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(2,203,043)	(1,398,088)	943,993	1,178,154	2,679,965
Adjustments for:					
Interest expense	732,316	394,471	395,285	198,184	196,822
Loss/(gain) arising from change in fair value of investment property	2,200,000	1,400,000	(800,000)	(1,100,000)	(2,600,000)
Operating cash flows before working capital changes	729,273	396,383	539,278	276,338	276,787
Change in prepayments, deposits and other receivables	(57,781)	26,610	16,580	8,622	8,673
Change in accruals and other payables	—	(14,000)	500	(5,750)	(6,250)
Change in rental deposits received	—	(72,500)	—	—	—
Cash generated from operations	671,492	336,493	556,358	279,210	279,210
Hong Kong Profits Tax paid	(578)	—	—	—	—
Net cash generated from operating activities	670,914	336,493	556,358	279,210	279,210
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(730,260)	(732,316)	(725,861)	(394,471)	—
(Repayment to)/advance from fellow subsidiaries	(540)	(7,851)	(12,082)	(14,374)	12,500
Advance from/(repayment to) ultimate holding company	26,000	—	—	—	(350,000)
Net cash used in financing activities	(704,800)	(740,167)	(737,943)	(408,845)	(337,500)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,886)	(403,674)	(181,585)	(129,635)	(58,290)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	817,777	783,891	380,217	380,217	198,632
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	783,891	380,217	198,632	250,582	140,342

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Company B was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. Its registered office and principal place of business is at Block A, 7th Floor, Hong Kong Spinners Building Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

In the opinion of the directors of Company B (the “**Directors**”), Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Island, is the immediate holding company. Easyknit, an exempted company incorporated in Bermuda, is the ultimate holding company with its shares listed on The Stock Exchange of Hong Kong Limited (Stock code: 1218).

During the Relevant Periods, the principal activity of Company B was property investment in Hong Kong, and the property owned by Company B is located at Shop B on Ground Floor of One Victory, Nos. 1, 1A and 3 Victory Avenue, Kowloon, Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Company B incurred a loss of HK\$2,203,042 and HK\$1,398,088 for the years ended 31 March 2020 and 2021, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company B had net current liabilities of HK\$19,932,417, HK\$19,930,505, HK\$19,786,512 and HK\$19,706,547, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on Company B’s ability to continue as a going concern. Therefore, Company B may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of Company B. The controlling shareholder has agreed to provide adequate funds for Company B to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should Company B be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of Company B’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information does not constitute Company B’s statutory annual financial statements for any of the financial years ended 31 March 2020, 2021 and 2022 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As Company B is a private company, Company B is not required to deliver its statutory financial statements to the Registrar of Companies, and has not done so.

Company B’s auditor has reported on these statutory annual financial statements for all three years. The independent auditor’s reports for each of these three years was unqualified, included a reference to going concern to which the auditor drew attention by way of emphasis, and do not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Relevant Periods, Company B has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on or after 1 April 2022. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to Company B’s accounting policies, presentation of the Historical Financial Information and amounts reported for the current period and prior years.

Company B has not applied the new and revised HKFRSs that have been issued but are not yet effective. Company B has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of investment property which are carried at their fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Foreign currency translation

Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which Company B operates (the “**functional currency**”). The Historical Financial Information are presented in Hong Kong dollars (“**HK\$**”), which is Company B’s functional and presentation currency.

Transactions and balances in Historical Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment Property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

Company B as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company B becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; Company B transfers substantially all the risks and rewards of ownership of the assets; or Company B neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of Company B are classified under financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

Company B recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, Company B measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“**lifetime expected credit losses**”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, Company B measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of Company B's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of Company B after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Company B has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by Company B are initially measured at their fair values and, if not designed as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the loss allowance; and

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

- (ii) the amount initially recognised less cumulative amortisation recognised in profit or loss over the terms of guarantee contracts.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by Company B are recorded at the proceeds received, net of direct issue costs.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of Company B that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Company B's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Company B is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Company B expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of Company B whose business

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Company B intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to Company B.

(A) A person or a close member of that person's family is related to Company B if that person:

- (i) has control or joint control over Company B;
- (ii) has significant influence over Company B;
- (iii) is a member of the key management personnel of Company B or of a parent of Company B.

(B) An entity is related to Company B if any of the following conditions applies:

- (i) The entity and Company B are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either Company B or an entity related to Company B. If Company B is itself such a plan, the sponsoring employers are also related to Company B.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Company B or to a parent of Company B.

Impairment of assets

At the end of each reporting period, Company B reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, Company B estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Company B has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about Company B's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern basis

The Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of Company B. Details are explained in note 2 to Historical Financial Information.

Deferred tax for investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed Company B's investment property and concluded that while Company B's investment property located in Hong Kong is depreciable, it is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining Company B's deferred taxation arising from this investment property located in Hong Kong, the management determined that the presumption that investment property measured using the fair value model is recovered through sale is not rebutted.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair values of investment property

Company B appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

6. FINANCIAL RISK MANAGEMENT

Company B's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. Company B's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Company B's financial performance.

Foreign currency risk

Company B has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$.

Credit risk

The carrying amount of the bank balances and cash and other receivables included in the statement of financial position represents Company B's maximum exposure to credit risk in relation to Company B's financial assets.

Company B has no significant concentrations of credit risk.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

Company B considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with Company B. Company B normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, Company B, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Company B uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, Company B considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

For financial guarantee contracts, the maximum amount that Company B has guaranteed under the respective contracts was HK\$34,149,600, HK\$32,442,120, HK\$48,999,417 and HK\$48,013,077 as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. At the end of the reporting period, the directors of Day Glory have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by Day Glory is measured at an amount equal to 12 months expected credit loss. No loss allowance was made in the Historical Financial Information. Details of the financial guarantee contracts are set out in note 22.

Liquidity risk

Company B's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of Company B's financial liabilities are due within one year.

Interest rate risk

Company B's amount due to ultimate holding company bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Fair values

The carrying amounts of Company B's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

Categories of financial instruments

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
<i>Financial assets:</i>				
Financial assets at amortised cost (including cash and cash equivalents)	<u>855,651</u>	<u>432,223</u>	<u>233,971</u>	<u>167,348</u>
<i>Financial liabilities:</i>				
Financial liabilities at amortised cost	<u>20,769,405</u>	<u>20,351,209</u>	<u>20,008,551</u>	<u>19,867,873</u>

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that Company B can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Company B's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			As at 31 March 2020
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	22,200,000	22,200,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2021
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	20,800,000	20,800,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2022
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	21,600,000	21,600,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

	Fair value measurements using:			As at 30 September 2022
	Level 1	Level 2	Level 3	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	24,200,000	24,200,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the Relevant Periods, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. Company B's policy is to recognise transfer between levels of fair value hierarchy as at the end of the Relevant Periods in which they occur.

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment property			Six months ended	
	Year ended 31 March			30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
At the beginning of the year/period	24,400,000	22,200,000	20,800,000	20,800,000	21,600,000
Total (losses)/gains recognised in profit or loss (#)	<u>(2,200,000)</u>	<u>(1,400,000)</u>	<u>800,000</u>	<u>1,100,000</u>	<u>2,600,000</u>
At the end of the year/period	<u>22,200,000</u>	<u>20,800,000</u>	<u>21,600,000</u>	<u>21,900,000</u>	<u>24,200,000</u>
(#) include gains or losses for assets held at end of the Relevant Periods	<u>(2,200,000)</u>	<u>(1,400,000)</u>	<u>800,000</u>	<u>1,100,000</u>	<u>2,600,000</u>

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in the statement of profit or loss and other comprehensive income.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(c) Disclosure of valuation process used by Company B and valuation techniques and inputs used in fair value measurements:

Company B's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and directors at least twice a year.

For level 3 fair value measurements, Company B will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

As at 31 March 2020, 2021 and 2022 and 30 September 2022, Company B has engaged an independent valuer, Colliers International (Hong Kong) Limited, to determine the fair values of the investment property.

Key unobservable inputs used in level 3 fair value measurements are mainly:

Investment property held by Company B	Fair value at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Commercial unit	31 March 2020: HK\$22,200,000	Level 3	Income approach — term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the condition of the building, which is 2.5%, 2.5%, 2.5% and 2.5% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the term yield and reversionary yield, the lower the fair value
	31 March 2021: HK\$20,800,000				
	31 March 2022: HK\$21,600,000				
	30 September 2022: HK\$24,200,000				

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment property held by Company B	Fair value at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
			— reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, which is 3.0%, 3.1%, 3.1% and 3.0% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	
			— monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements, which is HK\$130 per square foot, HK\$100 per square foot, HK\$100 per square foot and HK\$100 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the monthly term rental, the higher the fair value
			— reversionary rental	Market monthly rental rate, which is HK\$96 per square foot, HK\$108 per square foot, HK\$112 per square foot and HK\$122 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the reversionary rental, the higher the fair value

During the Relevant Periods, there were no changes in the valuation techniques used.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

8. REVENUE

Revenue represents rental income received or receivable from property leasing during the year/period which fall outside the scope of HKFRS 15.

9. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Sundry income	—	850	—	—	—

10. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Interest on amount due to ultimate holding company (<i>note 23</i>)	732,316	394,471	395,285	198,184	196,822

11. INCOME TAX CREDIT

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Current tax — Hong Kong Profits Tax: Over-provision in prior years/period	(1)	—	—	—	—

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

No provision for Hong Kong Profits Tax has been provided since Company B did not generate any assessable profit during the Relevant Periods.

Reconciliation between income tax expense and accounting profit/(loss) at Hong Kong Profits Tax rates:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
(Loss)/profit before tax	(2,203,043)	(1,398,088)	943,993	1,178,154	2,679,965
Tax at the Hong Kong Profits Tax rate of 16.5%	(363,502)	(230,685)	155,759	194,395	442,194
Tax effect of income that is not taxable for tax purposes	—	—	(132,000)	(181,500)	(429,000)
Tax effect of expenses that are not deductible for tax purposes	363,000	231,000	—	—	—
Tax effect of tax losses not recognised	7,070	6,253	—	—	—
Tax effect of utilisation of tax losses not previously recognised	—	—	(17,190)	(9,611)	(9,910)
Over-provision in prior years	(1)	—	—	—	—
Others	(6,568)	(6,568)	(6,569)	(3,284)	(3,284)
Income tax credit for the year/period	(1)	—	—	—	—

At 31 March 2020, 2021, 2022 and 30 September 2022, Company B has unused tax losses of approximately HK\$202,000, HK\$240,000, HK\$136,000 and HK\$76,000 available for offset against future profits, respectively. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

12. (LOSS)/PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Director's emoluments					
— As director	—	—	—	—	—
— For management	—	—	—	—	—
Staff costs including directors' emoluments					
Salaries, bonus and allowances	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
Auditor's remuneration					
— Current year	26,000	12,000	12,500	6,250	6,250
— (Over-provision)/under-provision in prior year	—	(14,000)	500	500	—
	<u>26,000</u>	<u>(2,000)</u>	<u>13,000</u>	<u>6,750</u>	<u>6,250</u>

13. DIVIDENDS

The Directors of Company B do not recommend the payment of any dividend for the Relevant Periods.

14. INVESTMENT PROPERTY

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At the beginning of the year/period	24,400,000	22,200,000	20,800,000	21,600,000
Fair value (loss)/gain	(2,200,000)	(1,400,000)	800,000	2,600,000
At the end of the year/period	<u>22,200,000</u>	<u>20,800,000</u>	<u>21,600,000</u>	<u>24,200,000</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Company B lease out its investment property under operating lease. The lease term is 2 years, 3 years, 3 years and 3 years as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. The lease is on a fixed rental basis and do not include variable lease payments.

Management reviews the valuation performed by the independent valuer for financial reporting purposes. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of the investment property equates the best use.

For the fair value measurement of investment property please refer to note 7.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due was unsecured, interest bearing at a fixed rate of 3.7%, 2.0%, 2.0% and 2.0% per annum as at 31 March 2020, 2021, 2022 and 30 September 2022 and repayable on demand, respectively.

16. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due were unsecured, non-interest bearing and repayable on demand.

17. SHARE CAPITAL

HK\$

1 ordinary share of HK\$1 issued and fully paid

At 1 April 2019, 31 March 2020, 2021, 2022 and 30 September 2022

1

18. CAPITAL RISK MANAGEMENT

Company B manages its capital to ensure Company B will be able to continue as a going concern while maximising the return to sole shareholder through the optimisation of the debt and equity balances. Company B's overall strategy remains unchanged from prior year/period.

The capital structure of Company B consists of debts, which includes amount due to ultimate holding company, amounts due to fellow subsidiaries and equity of Company B, comprising issued share capital and retained earnings.

The directors of Company B reviews the capital structure periodically. Company B considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares buy-backs as well as the raising of new debts if required.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

19. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows Company B's changes in liabilities arising from financing activities during the Relevant Periods:

	Amounts due to fellow subsidiaries <i>HK\$</i>	Amount due to ultimate holding company <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2019	35,265	20,468,509	20,503,774
Changes in cash flows	(540)	(704,260)	(704,800)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	732,316	732,316
At 31 March 2020 and 1 April 2020	34,725	20,496,565	20,531,290
Changes in cash flows	(7,851)	(732,316)	(740,167)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	394,471	394,471
At 31 March 2021 and 1 April 2021	26,874	20,158,720	20,185,594
Changes in cash flows	(12,082)	(725,861)	(737,943)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	395,285	395,285
At 31 March 2022 and 1 April 2022	14,792	19,828,144	19,842,936
Changes in cash flows	12,500	(350,000)	(337,500)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	196,822	196,822
At 30 September 2022	<u>27,292</u>	<u>19,674,966</u>	<u>19,702,258</u>
At 1 April 2021	26,874	20,158,720	20,185,594
Changes in cash flows (unaudited)	(14,374)	(394,471)	(408,845)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company (unaudited)	—	198,184	198,184
At 30 September 2021 (unaudited)	<u>12,500</u>	<u>19,962,433</u>	<u>19,974,933</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

20. PLEDGE OF ASSETS

At 31 March 2020, 2021, 2022 and 30 September 2022, investment property of Company B with a carrying amount of HK\$22,200,000, HK\$20,800,000, HK\$21,600,000 and HK\$24,200,000 is pledged to a bank to secure credit facilities granted to the ultimate holding company, respectively. In addition, rentals and future sales proceeds in respect of this investment property are also pledged to the bank.

21. OPERATING LEASE COMMITMENT**Company B as lessor**

Company B leases out investment property under operating lease. The future aggregate minimum lease rental receivable under non cancellable operating lease in respect of investment property as follows:

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
Within one year	285,484	600,000	600,000	600,000
In the second to fifth year inclusive	—	1,022,581	422,581	122,581
	<u>285,484</u>	<u>1,622,581</u>	<u>1,022,581</u>	<u>722,581</u>

Under the lease entered into by Company B, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2020, 2021, 2022 and 30 September 2022, the investment property has a committed tenant for a term of two years and three years, three years and three years, respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

22. CONTINGENT LIABILITIES

	As at 31 March			As at
	2020	2021	2022	30 September
	HK\$	HK\$	HK\$	2022
Corporate guarantees given to a bank for credit facilities granted to the ultimate holding company	<u>34,149,600</u>	<u>32,442,120</u>	<u>48,999,417</u>	<u>48,013,077</u>

In the opinion of the directors, the fair value of the financial guarantee contracts at grant date was insignificant.

23. RELATED PARTY TRANSACTIONS

Other than as disclosed transaction and balance elsewhere in notes 10, 15, 16, 20 and 22 to the Historical Financial Information, during the Relevant Period, Company B had the following transactions with its related parties during the Relevant Periods:

	Year ended 31 March			Six months ended	
	2020	2021	2022	30 September	
	HK\$	HK\$	HK\$	2021	2022
Agency fee paid to a fellow subsidiary	<u>34,725</u>	<u>11,577</u>	<u>14,792</u>	<u>—</u>	<u>—</u>

(unaudited)

24. EVENTS AFTER THE REPORTING PERIOD

No audited financial statements have been prepared by Company B in respect of any period subsequent to 30 September 2022.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The following is the text of a report in relation to Company C received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this joint circular:



21 January 2023

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF WELL HONEST INVESTMENT LIMITED TO THE DIRECTORS OF EMINENCE ENTERPRISE LIMITED

Introduction

We report on the historical financial information of Well Honest Investment Limited (“**Company C**”) set out on pages IV-71 to IV-101, which comprises the statements of financial position of Company C as at 31 March 2020, 2021 and 2022 and 30 September 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Easyknit International Holdings Limited (“**Easyknit**”) and Eminence Enterprise Limited (“**Eminence**”) jointly dated 21 January 2023 in connection with the proposed acquisition of the entire equity interests in Company C by the Eminence.

Director’s responsibility for the Historical Financial Information

The directors of Company C are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on the Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of Company C’s financial position as at 31 March 2020, 2021 and 2022 and 30 September 2022, and of Company C’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the Historical Financial Information which mentions that Company C incurred a loss of HK\$2,392,261 and HK1,356,694 for the years ended 31 March 2020 and 2021, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company C had net current liabilities of HK\$18,299,169, HK\$18,155,863, HK\$18,007,114 and HK\$17,894,134, respectively. These conditions indicate a material uncertainty which may cast significant doubt on Company C’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Company C which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of Company C are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-71 have been made.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Audit Engagement Director

Practising Certificate Number P05988

Hong Kong, 21 January 2023

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

HISTORICAL FINANCIAL INFORMATION OF COMPANY C

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Company C has adopted 31 March as the financial year end date.

The Historical Financial Information in this report was prepared based on previously issued financial statements of the Company C for the Relevant Periods. The previously issued financial statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”).

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March			Six months ended 30 September	
		2020	2021	2022	2021	2022
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
					(unaudited)	
Revenue	<i>8</i>	687,849	535,500	559,847	267,750	307,125
Other income	<i>9</i>	850	—	850	—	—
Administrative and other operating expenses		(75,515)	(31,872)	(51,343)	(17,535)	(16,936)
(Loss)/gain arising from change in fair value of investment property	<i>14</i>	(2,600,000)	(1,500,000)	600,000	1,300,000	700,000
Finance costs	<i>10</i>	(405,445)	(363,315)	(360,605)	(180,659)	(177,209)
(Loss)/profit before tax		(2,392,261)	(1,359,687)	748,749	1,369,556	812,980
Income tax credit	<i>11</i>	—	2,993	—	—	—
(Loss)/profit and total comprehensive (expense)/income for the year/period	<i>12</i>	<u>(2,392,261)</u>	<u>(1,356,694)</u>	<u>748,749</u>	<u>1,369,556</u>	<u>812,980</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March			As at
		2020	2021	2022	30 September
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	2022
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current asset					
Investment property	14	23,800,000	22,300,000	22,900,000	23,600,000
Current assets					
Prepayments, deposits and other receivables		95,590	126,398	36,439	34,664
Tax recoverable		—	2,771	—	—
Bank balances and cash		714,630	144,979	359,265	328,355
		<u>810,220</u>	<u>274,148</u>	<u>395,704</u>	<u>363,019</u>
Current liabilities					
Accruals and other payables		46,250	12,610	56,304	120,930
Rental deposits received		224,274	224,274	224,910	224,910
Amount due to ultimate holding company	15	18,809,494	18,167,364	18,102,383	17,879,592
Amounts due to fellow subsidiaries	16	26,378	25,763	19,221	31,721
Tax payable		2,993	—	—	—
		<u>19,109,389</u>	<u>18,430,011</u>	<u>18,402,818</u>	<u>18,257,153</u>
Net current liabilities		<u>(18,299,169)</u>	<u>(18,155,863)</u>	<u>(18,007,114)</u>	<u>(17,894,134)</u>
NET ASSETS		<u>5,500,831</u>	<u>4,144,137</u>	<u>4,892,886</u>	<u>5,705,866</u>
Capital and reserves					
Share capital	17	1	1	1	1
Retained earnings		5,500,830	4,144,136	4,892,885	5,705,865
TOTAL EQUITY		<u>5,500,831</u>	<u>4,144,137</u>	<u>4,892,886</u>	<u>5,705,866</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2019	1	7,893,091	7,893,092
Loss and total comprehensive expense for the year	—	(2,392,261)	(2,392,261)
At 31 March 2020 and 1 April 2020	1	5,500,830	5,500,831
Loss and total comprehensive expense for the year	—	(1,356,694)	(1,356,694)
At 31 March 2021 and 1 April 2021	1	4,144,136	4,144,137
Profit and total comprehensive income for the year	—	748,749	748,749
At 31 March 2022 and 1 April 2022	1	4,892,885	4,892,886
Profit and total comprehensive income for the period	—	812,980	812,980
At 30 September 2022	<u>1</u>	<u>5,705,865</u>	<u>5,705,866</u>
At 1 April 2021	1	4,144,136	4,144,137
Profit and total comprehensive income for the period (unaudited)	—	1,369,556	1,369,556
At 30 September 2021 (unaudited)	<u>1</u>	<u>5,513,692</u>	<u>5,513,693</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(2,392,261)	(1,359,687)	748,749	1,369,556	812,980
Adjustments for:					
Interest expense	405,445	363,315	360,605	180,659	177,209
Loss/(gain) arising from change in fair value of investment property	2,600,000	1,500,000	(600,000)	(1,300,000)	(700,000)
Operating cash flows before working capital changes	613,184	503,628	509,354	250,215	290,189
Change in prepayments, deposits and other receivables	(59,810)	(30,808)	89,959	49,635	1,775
Change in accruals and other payables	20,250	(33,640)	43,694	(6,360)	64,626
Change in rental deposits received	9,205	—	636	—	—
Cash generated from operations	582,829	439,180	643,643	293,490	356,590
Hong Kong Profits Tax (paid)/refund	—	(2,771)	2,771	—	—
Net cash generated from operating activities	<u>582,829</u>	<u>436,409</u>	<u>646,414</u>	<u>293,490</u>	<u>356,590</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(406,366)	(405,445)	(665,586)	(363,315)	—
Advance from/(repayment to) ultimate holding company	26,000	(600,000)	240,000	240,000	(400,000)
(Repayment to)/advance from fellow subsidiaries	(5,374)	(615)	(6,542)	(13,263)	12,500
Net cash used in financing activities	<u>(385,740)</u>	<u>(1,006,060)</u>	<u>(432,128)</u>	<u>(136,578)</u>	<u>(387,500)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	197,089	(569,651)	214,286	156,912	(30,910)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	<u>517,541</u>	<u>714,630</u>	<u>144,979</u>	<u>144,979</u>	<u>359,265</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u><u>714,630</u></u>	<u><u>144,979</u></u>	<u><u>359,265</u></u>	<u><u>301,891</u></u>	<u><u>328,355</u></u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Company C was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. Its registered office and principal place of business is at Block A, 7th Floor, Hong Kong Spinners Building Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

In the opinion of the directors of Company C (the “**Directors**”), Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Island, is the immediate holding company. Easyknit, an exempted company incorporated in Bermuda, is the ultimate holding company with its shares listed on The Stock Exchange of Hong Kong Limited (Stock code: 1218).

During the Relevant Periods, the principal activity of Company C was property investment in Hong Kong, and the property owned by Company C is located at Shop C on first floor of One Victory, Nos. 1, 1A and 3 Victory Avenue, Kowloon, Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Company C incurred a loss of HK\$2,392,261 and HK1,356,694 for the years ended 31 March 2020 and 2021, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company C had net current liabilities of HK\$18,299,169, HK\$18,155,863, HK\$18,007,114 and HK\$17,894,134, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on Company C’s ability to continue as a going concern. Therefore, Company C may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of Company C. The controlling shareholder has agreed to provide adequate funds for Company C to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should Company C be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of Company C’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information does not constitute Company C’s statutory annual financial statements for any of the financial years ended 31 March 2020, 2021 and 2022 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As Company C is a private company, Company C is not required to deliver its statutory financial statements to the Registrar of Companies, and has not done so.

Company C’s auditor has reported on these statutory annual financial statements for all three years. The independent auditor’s reports for each of these three years was unqualified, included a reference to going concern to which the auditor drew attention by way of emphasis, and do not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Relevant Periods, Company C has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on or after 1 April 2022. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to Company C’s accounting policies, presentation of the Historical Financial Information and amounts reported for the current period and prior years.

Company C has not applied the new and revised HKFRSs that have been issued but are not yet effective. Company C has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of investment property which are carried at their fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Foreign currency translation

Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which Company C operates (the “**functional currency**”). The Historical Financial Information are presented in Hong Kong dollars (“**HK\$**”), which is Company C’s functional and presentation currency.

Transactions and balances in Historical Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment Property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

Company C as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company C becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; Company C transfers substantially all the risks and rewards of ownership of the assets; or Company C neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of Company C are classified under financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

Company C recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, Company C measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“**lifetime expected credit losses**”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, Company C measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of Company C's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of Company C after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Company C has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by Company C are initially measured at their fair values and, if not designed as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the loss allowance; and

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

- (ii) the amount initially recognised less cumulative amortisation recognised in profit or loss over the terms of guarantee contracts.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by Company C are recorded at the proceeds received, net of direct issue costs.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of Company C that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Company C's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Company C is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Company C expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of Company C whose business

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Company C intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to Company C.

(A) A person or a close member of that person's family is related to Company C if that person:

- (i) has control or joint control over Company C;
- (ii) has significant influence over Company C;
- (iii) is a member of the key management personnel of Company C or of a parent of Company C.

(B) An entity is related to Company C if any of the following conditions applies:

- (i) The entity and Company C are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either Company C or an entity related to Company C. If Company C is itself such a plan, the sponsoring employers are also related to Company C.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Company C or to a parent of Company C.

Impairment of assets

At the end of each reporting period, Company C reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, Company C estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Company C has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about Company C's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern basis

The Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of Company C. Details are explained in note 2 to Historical Financial Information.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Deferred tax for investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed Company C's investment property and concluded that while Company C's investment property located in Hong Kong is depreciable, it is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining Company C's deferred taxation arising from this investment property located in Hong Kong, the management determined that the presumption that investment property measured using the fair value model is recovered through sale is not rebutted.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair values of investment property

Company C appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

6. FINANCIAL RISK MANAGEMENT

Company C's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. Company C's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Company C's financial performance.

Foreign currency risk

Company C has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$.

Credit risk

The carrying amount of the bank balances and cash and other receivables included in the statement of financial position represents Company C's maximum exposure to credit risk in relation to Company C's financial assets.

Company C has no significant concentrations of credit risk.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

Company C considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with Company C. Company C normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, Company C, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Company C uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, Company C considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

For financial guarantee contracts, the maximum amount that Company C has guaranteed under the respective contracts was HK\$34,149,600, HK\$32,442,120, HK\$48,999,417 and HK\$48,013,077 as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. At the end of the reporting period, the directors of Well Honest have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by Well Honest is measured at an amount equal to 12 months expected credit loss. No loss allowance was made in the Historical Financial Information. Details of the financial guarantee contracts are set out in note 22.

Liquidity risk

Company C's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of Company C's financial liabilities are due within one year.

Interest rate risk

Company C's amount due to ultimate holding company bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Fair values

The carrying amounts of Company C's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

Categories of financial instruments at the end of the reporting period

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
<i>Financial assets:</i>				
Financial assets at amortised cost (including cash and cash equivalents)	807,919	271,189	392,744	361,835
<i>Financial liabilities:</i>				
Financial liabilities at amortised cost	19,060,146	18,417,401	18,346,514	18,136,223

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that Company C can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Company C's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			As at 31 March 2020
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	23,800,000	23,800,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2021
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	22,300,000	22,300,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2022
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	22,900,000	22,900,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

	Fair value measurements using:			As at 30 September 2022
	Level 1	Level 2	Level 3	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	23,600,000	23,600,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the Relevant Periods, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. Company C's policy is to recognise transfer between levels of fair value hierarchy as at the end of the Relevant Periods in which they occur.

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment property				
	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
At the beginning of the year/period	26,400,000	23,800,000	22,300,000	22,300,000	22,900,000
Total (losses)/gains recognised in profit or loss (#)	<u>(2,600,000)</u>	<u>(1,500,000)</u>	<u>600,000</u>	<u>1,300,000</u>	<u>700,000</u>
At the end of the year/period	<u>23,800,000</u>	<u>22,300,000</u>	<u>22,900,000</u>	<u>23,600,000</u>	<u>23,600,000</u>
(#) include gains or losses for assets held at end of the Relevant Periods	<u>(2,600,000)</u>	<u>(1,500,000)</u>	<u>600,000</u>	<u>1,300,000</u>	<u>700,000</u>

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in the statement of profit or loss and other comprehensive income.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(c) Disclosure of valuation process used by Company C and valuation techniques and inputs used in fair value measurements:

Company C's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and directors at least twice a year.

For level 3 fair value measurements, Company C will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

As at 31 March 2020, 2021 and 2022 and 30 September 2022, Company C has engaged an independent valuer, Colliers International (Hong Kong) Limited, to determine the fair values of the investment property.

Key unobservable inputs used in level 3 fair value measurements are mainly:

Investment property held by Company C	Fair value hierarchy	Fair value at	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Commercial unit	31 March 2020: HK\$23,800,000 31 March 2021: HK\$22,300,000 31 March 2022: HK\$22,900,000 30 September 2022: HK\$23,600,000	Level 3	Income approach — term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the condition of the building, which is 3.0%, 3.0%, 3.0% and 3.0% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the term yield and reversionary yield, the lower the fair value

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment property held by Company C	Fair value hierarchy	Fair value at	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
			— reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, which is 3.5%, 3.6%, 3.6% and 3.5% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	
			— monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements, which is HK\$23 per square foot, HK\$33 per square foot, HK\$33 per square foot and HK\$33 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the monthly term rental, the higher the fair value
			— reversionary rental	Market monthly rental rate, which is HK\$25 per square foot, HK\$35 per square foot, HK\$37 per square foot and HK\$37 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the reversionary rental, the higher the fair value

During the Relevant Periods, there were no changes in the valuation techniques used.

8. REVENUE

Revenue represents rental income received or receivable from property leasing during the year/period which fall outside the scope of HKFRS 15.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

9. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Sundry income	850	—	850	—	—

10. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Interest on amount due to ultimate holding company (<i>note 23</i>)	405,445	363,315	360,605	180,659	177,209

11. INCOME TAX CREDIT

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Current tax — Hong Kong Profits Tax: Over-provision in prior years/period	—	(2,993)	—	—	—

No provision for Hong Kong Profits Tax has been provided since Company C did not generate any assessable profit during the Relevant Periods.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Reconciliation between income tax expense and accounting profit/(loss) at Hong Kong Profits Tax rates:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
(Loss)/profit before tax	(2,392,261)	(1,359,687)	748,749	1,369,556	812,980
Tax at the Hong Kong Profits					
Tax rate of 16.5%	(394,723)	(224,348)	123,544	225,977	134,142
Tax effect of income that is not taxable for tax purposes	—	—	(99,000)	(214,500)	(115,500)
Tax effect of expenses that are not deductible for tax purposes	429,000	247,500	—	—	—
Tax effect of tax losses not recognised	—	8,354	6,962	4,276	—
Tax effect of utilisation of tax losses not previously recognised	—	—	—	—	(2,889)
Over-provision in prior years	—	(2,993)	—		
Others	(34,277)	(31,506)	(31,506)	(15,753)	(15,753)
Income tax credit for the year/period	—	(2,993)	—	—	—

At 31 March 2020, 2021, 2022 and 30 September 2022, Company C has unused tax losses of approximately HK\$Nil, HK\$51,000, HK\$93,000 and HK\$75,000 available for offset against future profits, respectively. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

12. (LOSS)/PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Directors' emoluments					
— As directors	—	—	—	—	—
— For management	—	—	—	—	—
Staff costs including directors' emoluments					
Salaries, bonus and allowances	—	—	—	—	—
Retirement benefits scheme contributions	—	—	—	—	—
Auditor's remuneration					
— Current year	26,000	12,000	12,500	6,250	6,250
— (Over-provision)/ under-provision in prior year	—	(14,000)	500	500	—
	<u>26,000</u>	<u>(2,000)</u>	<u>13,000</u>	<u>6,750</u>	<u>6,250</u>

13. DIVIDENDS

The Directors of Company C do not recommend the payment of any dividend for the Relevant Periods.

14. INVESTMENT PROPERTY

	As at 31 March			As at
				30 September
	2020	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At the beginning of the year/period	26,400,000	23,800,000	22,300,000	22,900,000
Fair value (loss)/gain	(2,600,000)	(1,500,000)	600,000	700,000
At the end of the year/period	<u>23,800,000</u>	<u>22,300,000</u>	<u>22,900,000</u>	<u>23,600,000</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Company C lease out its investment property under operating lease. The lease term is 2 years, 2 years, 2 years and 2 years as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. The lease is on a fixed rental basis and do not include variable lease payments.

Management reviews the valuation performed by the independent valuer for financial reporting purposes. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of the investment property equates the best use.

For the fair value measurement of investment property please refer to note 7.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due was unsecured, interest bearing at a fixed rate of 2.2%, 2.0%, 2.0% and 2.0% per annum as at 31 March 2020, 2021, 2022 and 30 September 2022 and repayable on demand, respectively.

16. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due were unsecured, non-interest bearing and repayable on demand.

17. SHARE CAPITAL

HK\$

1 ordinary share of HK\$1 issued and fully paid

At 1 April 2019, 31 March 2020, 2021, 2022 and 30 September 2022

1

18. CAPITAL RISK MANAGEMENT

Company C manages its capital to ensure Company C will be able to continue as a going concern while maximising the return to sole shareholder through the optimisation of the debt and equity balances. Company C's overall strategy remains unchanged from prior year/period.

The capital structure of Company C consists of debts, which includes amount due to ultimate holding company, amounts due to fellow subsidiaries and equity of Company C, comprising issued share capital and retained earnings.

The directors of Company C reviews the capital structure periodically. Company C considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares buy-backs as well as the raising of new debts if required.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

19. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows Company C's changes in liabilities arising from financing activities during the Relevant Periods:

	Amounts due to fellow subsidiaries <i>HK\$</i>	Amount due to ultimate holding company <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2019	31,752	18,784,415	18,816,167
Changes in cash flows	(5,374)	(380,366)	(385,740)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	405,445	405,445
At 31 March 2020 and 1 April 2020	26,378	18,809,494	18,835,872
Changes in cash flows	(615)	(1,005,445)	(1,006,060)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	363,315	363,315
At 31 March 2021 and 1 April 2021	25,763	18,167,364	18,193,127
Changes in cash flows	(6,542)	(425,586)	(432,128)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	360,605	360,605
At 31 March 2022 and 1 April 2022	19,221	18,102,383	18,121,604
Changes in cash flows	12,500	(400,000)	(387,500)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company	—	177,209	177,209
At 30 September 2022	31,721	17,879,592	17,911,313
At 1 April 2021	25,763	18,167,364	18,193,127
Changes in cash flows (unaudited)	(13,263)	(123,315)	(136,578)
Non-cash change:			
— Interest expenses on amount due to ultimate holding company (unaudited)	—	180,659	180,659
At 30 September 2021 (unaudited)	12,500	18,224,708	18,237,208

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

20. PLEDGE OF ASSETS

At 31 March 2020, 2021, 2022 and 30 September 2022, investment property of Company C with a carrying amount of HK\$23,800,000, HK\$22,300,000, HK\$22,900,000 and HK\$23,600,000 is pledged to a bank to secure credit facilities granted to the ultimate holding company, respectively. In addition, rentals and future sales proceeds in respect of this investment property are also pledged to the bank.

21. OPERATING LEASE COMMITMENT**Company C as lessor**

Company C leases out investment property under operating lease. The future aggregate minimum lease rental receivable under non cancellable operating lease in respect of investment property as follows:

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
Within one year	505,350	459,900	630,000	598,500
In the second to fifth year inclusive	459,900	—	364,790	18,290
	<u>965,250</u>	<u>459,900</u>	<u>994,790</u>	<u>616,790</u>

Under the lease entered into by Company C, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2020, 2021, 2022 and 30 September 2022, the investment property has a committed tenant for a term of two years, two years, two years and two years respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

22. CONTINGENT LIABILITIES

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Corporate guarantees given to a bank for credit facilities granted to the ultimate holding company	<u>34,149,600</u>	<u>32,442,120</u>	<u>48,999,417</u>	<u>48,013,077</u>

In the opinion of the directors, the fair value of the financial guarantee contracts at grant date was insignificant.

23. RELATED PARTY TRANSACTIONS

Other than as disclosed transaction and balance elsewhere in notes 10, 15, 16, 20 and 22 to the Historical Financial Information, during the Relevant Period, Company C had the following transactions with its related parties during the Relevant Periods:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Agency fee paid to a fellow subsidiary	<u>26,378</u>	<u>13,388</u>	<u>16,144</u>	<u>—</u>	<u>—</u>

(unaudited)

24. EVENTS AFTER THE REPORTING PERIOD

No audited financial statements have been prepared by Company C in respect of any period subsequent to 30 September 2022.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The following is the text of a report in relation to Company D received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this joint circular:



21 January 2023

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ASIA MILLION INVESTMENT LIMITED TO THE DIRECTORS OF EMINENCE ENTERPRISE LIMITED

Introduction

We report on the historical financial information of Asia Million Investment Limited (“**Company D**”) set out on pages IV-105 to IV-140, which comprises the statements of financial position of Company D as at 31 March 2020, 2021 and 2022 and 30 September 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Easyknit International Holdings Limited (“**Easyknit**”) and Eminence Enterprise Limited (“**Eminence**”) jointly dated 21 January 2023 in connection with the proposed acquisition of the entire equity interests in Company D by the Eminence.

Director’s responsibility for the Historical Financial Information

The directors of Company D are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on the Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of Company D’s financial position as at 31 March 2020, 2021 and 2022 and 30 September 2022, and of Company D’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the Historical Financial Information which mentions that Company D incurred a loss of HK\$49,552,878, HK\$41,278,115, HK\$9,165,627 and HK\$712,963 for the years ended 31 March 2020, 2021, 2022 and six months ended 30 September 2022, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company D had net current liabilities of HK\$276,484,422, HK\$286,428,941, HK\$294,793,848 and HK\$298,866,913 and net liabilities of HK\$76,221,646, HK\$117,499,761, HK\$126,655,388 and HK\$127,378,351, respectively. These conditions indicate a material uncertainty which may cast significant doubt on Company D’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Company D which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of Company D are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-105 have been made.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Audit Engagement Director

Practising Certificate Number P05988

Hong Kong, 21 January 2023

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

HISTORICAL FINANCIAL INFORMATION OF COMPANY D

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Company D has adopted 31 March as the financial year end date.

The Historical Financial Information in this report was prepared based on previously issued financial statements of the Company D for the Relevant Periods. The previously issued financial statements for the year ended 31 March 2021, 2022 and six months ended 30 September 2022 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA (the “**Underlying Financial Statements**”). The statutory financial statements of Company D for the year ended 31 March 2020 were audited by Deloitte Touch Tohmatsu, certified public accountants registered in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”).

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September			Year ended 31 March	
	<i>Notes</i>	2020	2021	2022	2021	2022
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
		(unaudited)				
Revenue	8	6,000,000	1,654,532	2,334,000	1,167,000	1,167,000
Other income	9	—	850	2	—	—
Administrative and other operating expenses		(2,752,131)	(1,246,115)	(1,428,402)	(685,895)	(1,143,783)
Loss arising from change in fair value of investment property	14	(49,700,000)	(40,200,000)	(9,100,000)	(300,000)	—
Finance costs	10	(3,097,502)	(1,486,230)	(971,227)	(486,858)	(736,180)
Loss before tax		(49,549,633)	(41,276,963)	(9,165,627)	(305,753)	(712,963)
Income tax expense	11	(3,245)	(1,152)	—	—	—
Loss and total comprehensive expense for the year/period	12	<u>(49,552,878)</u>	<u>(41,278,115)</u>	<u>(9,165,627)</u>	<u>(305,753)</u>	<u>(712,963)</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at
		2020	2021	2022	30 September
		HK\$	HK\$	HK\$	HK\$
Non-current asset					
Investment property	14	291,000,000	250,800,000	241,700,000	241,700,000
Current assets					
Trade receivables	15	—	177,592	99,812	66,812
Prepayments, deposits and other receivables		—	—	—	2,044
Tax recoverable		104,768	24,397	—	—
Bank balances and cash		297,332	44,628	11,548	21,016
		<u>402,100</u>	<u>246,617</u>	<u>111,360</u>	<u>89,872</u>
Current liabilities					
Accruals and other payables		62,489	41,372	24,343	29,406
Rental deposits received		1,568,750	663,750	663,750	663,750
Amount due to ultimate holding company	16	265,768,287	277,074,520	285,766,018	289,629,231
Amounts due to fellow subsidiaries	16	2,113,814	622,160	154,170	1,018,286
Secured bank borrowings	17	7,373,182	8,273,756	8,296,927	7,616,112
		<u>276,886,522</u>	<u>286,675,558</u>	<u>294,905,208</u>	<u>298,956,785</u>
Net current liabilities		<u>(276,484,422)</u>	<u>(286,428,941)</u>	<u>(294,793,848)</u>	<u>(298,866,913)</u>
Total assets less current liabilities		<u>14,515,578</u>	<u>(35,628,941)</u>	<u>(53,093,848)</u>	<u>(57,166,913)</u>
Non-current liabilities					
Secured bank borrowings	17	90,737,224	81,870,820	73,571,540	70,211,438
NET LIABILITIES		<u>(76,221,646)</u>	<u>(117,499,761)</u>	<u>(126,665,388)</u>	<u>(127,378,351)</u>
Capital and reserves					
Share capital	18	1	1	1	1
Accumulated losses		(76,221,647)	(117,499,762)	(126,665,389)	(127,378,352)
TOTAL DEFICIT		<u>(76,221,646)</u>	<u>(117,499,761)</u>	<u>(126,665,388)</u>	<u>(127,378,351)</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2019	1	(26,668,769)	(26,668,768)
Loss and total comprehensive expense for the year	—	(49,552,878)	(49,552,878)
At 31 March 2020 and 1 April 2020	1	(76,221,647)	(76,221,646)
Loss and total comprehensive expense for the year	—	(41,278,115)	(41,278,115)
At 31 March 2021 and 1 April 2021	1	(117,499,762)	(117,499,761)
Loss and total comprehensive expense for the year	—	(9,165,627)	(9,165,627)
At 31 March 2022 and 1 April 2022	1	(126,665,389)	(126,665,388)
Loss and total comprehensive expense for the period	—	(712,963)	(712,963)
At 30 September 2022	<u>1</u>	<u>(127,378,352)</u>	<u>(127,378,351)</u>
At 1 April 2021	1	(117,499,762)	(117,499,761)
Loss and total comprehensive expense for the period (unaudited)	—	(305,753)	(305,753)
At 30 September 2021 (unaudited)	<u>1</u>	<u>(117,805,515)</u>	<u>(117,805,514)</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax	(49,549,633)	(41,276,963)	(9,165,627)	(305,753)	(712,963)
Adjustments for:					
Interest expense	3,097,502	1,486,230	971,227	486,858	736,180
Interest income	—	—	(2)	—	—
Loss arising from change in fair value of investment property	49,700,000	40,200,000	9,100,000	300,000	—
Operating cash flows before working capital changes	3,247,869	409,267	905,598	481,105	23,217
Change in trade receivables	—	(177,592)	77,780	44,780	33,000
Change in prepayments, deposits and other receivables	—	—	—	(1,999)	(2,044)
Change in accruals and other payables	(131,824)	(21,117)	(17,029)	(27,487)	5,063
Change in rental deposits received	—	(905,000)	—	—	—
Cash generated from/(used in) operations	3,116,045	(694,442)	966,349	496,399	59,236
Hong Kong Profits Tax refund	—	79,219	24,397	—	—
Net cash generated from/(used in) operating activities	<u>3,116,045</u>	<u>(615,223)</u>	<u>990,746</u>	<u>496,399</u>	<u>59,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	—	—	2	—	—
Net cash generated from investing activities	<u>—</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>—</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance from ultimate holding company	5,670,907	11,306,233	8,691,498	4,230,747	3,863,213
Advance from/(repayment to) fellow subsidiaries	1,731,667	(1,491,654)	(467,990)	(107,042)	864,116
Interest paid	(3,097,502)	(1,486,230)	(971,227)	(486,858)	(736,180)
Repayment to bank borrowings	(7,141,778)	(7,965,830)	(8,276,109)	(4,128,869)	(4,040,917)
Net cash (used in)/generated from financing activities	<u>(2,836,706)</u>	<u>362,519</u>	<u>(1,023,828)</u>	<u>(492,022)</u>	<u>(49,768)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	279,339	(252,704)	(33,080)	4,377	9,468
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	<u>17,993</u>	<u>297,332</u>	<u>44,628</u>	<u>44,628</u>	<u>11,548</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u><u>297,332</u></u>	<u><u>44,628</u></u>	<u><u>11,548</u></u>	<u><u>49,005</u></u>	<u><u>21,016</u></u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

ASIA MILLION INVESTMENT LIMITED NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Company D was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. Its registered office and principal place of business is at Block A, 7th Floor, Hong Kong Spinners Building Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

In the opinion of the directors of Company D (the “**Directors**”), Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Island, is the immediate holding company. Easyknit, an exempted company incorporated in Bermuda, is the ultimate holding company with its shares listed on The Stock Exchange of Hong Kong Limited (Stock code: 1218).

During the Relevant Periods, the principal activity of Company D was property investment in Hong Kong, and the property owned by Company D is located at Ground Floor of No. 50 Yun Ping Road, Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Company D incurred a loss of HK\$49,552,878, HK\$41,278,115, HK\$9,165,627 and HK\$712,963 for the years ended 31 March 2020, 2021 and 2022 and six months ended 30 September 2022, and as at 31 March 2020, 2021, 2022 and 30 September 2022 Company D net current liabilities of HK\$276,484,422, HK\$286,428,941, HK\$294,793,848 and HK\$298,866,913 and net liabilities of HK\$76,221,646, HK\$117,499,761, HK\$126,655,388 and HK\$127,378,351, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on Company D’s ability to continue as a going concern. Therefore, Company D may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of Company D. The controlling shareholder has agreed to provide adequate funds for Company D to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should Company D be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of Company D’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information does not constitute Company D’s statutory annual financial statements for any of the financial years ended 31 March 2020, 2021 and 2022 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As Company D is a private company, Company D is not required to deliver its statutory financial statements to the Registrar of Companies, and has not done so.

Company D’s auditor has reported on these statutory annual financial statements for all three years. The independent auditor’s reports for each of these three years was unqualified, included a reference to going concern to which the auditor drew attention by way of emphasis, and do not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Relevant Periods, Company D has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on or after 1 April 2022. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to Company D’s accounting policies, presentation of the Historical Financial Information and amounts reported for the current period and prior years.

Company D has not applied the new and revised HKFRSs that have been issued but are not yet effective. Company D has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of investment property which are carried at their fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Foreign currency translation

Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which Company D operates (the “**functional currency**”). The Historical Financial Information are presented in Hong Kong dollars (“**HK\$**”), which is Company D’s functional and presentation currency.

Transactions and balances in Historical Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment Property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

Company D as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company D becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; Company D transfers substantially all the risks and rewards of ownership of the assets; or Company D neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of Company D are classified under financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

Company D recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, Company D measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“**lifetime expected credit losses**”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, Company D measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of Company D's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of Company D after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Company D has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by Company D are initially measured at their fair values and, if not designed as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the loss allowance; and

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

- (ii) the amount initially recognised less, cumulative amortisation recognised in profit or loss over the terms of guarantee contracts.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by Company D are recorded at the proceeds received, net of direct issue costs.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

Company D contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by Company D and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by Company D to the funds.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(iii) Termination benefits

Termination benefits are recognised when, and only when, Company D demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of Company D that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Company D's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Company D is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Company D expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of Company D whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Company D intends to settle its current tax assets and liabilities on a net basis.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Related parties

A related party is a person or entity that is related to Company D.

- (A) A person or a close member of that person's family is related to Company D if that person:
- (i) has control or joint control over Company D;
 - (ii) has significant influence over Company D;
 - (iii) is a member of the key management personnel of Company D or of a parent of Company D.
- (B) An entity is related to Company D if any of the following conditions applies:
- (i) The entity and Company D are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either Company D or an entity related to Company D. If Company D is itself such a plan, the sponsoring employers are also related to Company D.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Company D or to a parent of Company D.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Impairment of assets

At the end of each reporting period, Company D reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, Company D estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Company D has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about Company D's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern basis

The Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of Company D. Details are explained in note 2 to Historical Financial Information.

Deferred tax for investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed Company D's investment property and concluded that while Company D's investment property located in Hong Kong is depreciable, it is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining Company D's deferred taxation arising from this investment property located in Hong Kong, the management determined that the presumption that investment property measured using the fair value model is recovered through sale is not rebutted.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair values of investment property

Company D appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

6. FINANCIAL RISK MANAGEMENT

Company D's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. Company D's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Company D's financial performance.

Foreign currency risk

Company D has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$.

Credit risk

The carrying amount of the bank balances and cash and trade receivables included in the statement of financial position represents Company D's maximum exposure to credit risk in relation to Company D's financial assets.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Company D considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with Company D. Company D normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, Company D, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Company D uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, Company D considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

For financial guarantee contracts, the maximum amount that Company D has guaranteed under the respective contracts was HK\$34,149,600, HK\$32,442,120, HK\$48,999,417 and HK\$48,013,077 as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. At the end of the reporting period, the directors of Company D have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by Company D is measured at an amount equal to 12 months expected credit loss. No loss allowance was made in the Historical Financial Information. Details of the financial guarantee contracts are set out in note 23.

Liquidity risk

Company D's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

The maturity analysis, based on undiscounted cash flows, of Company D's financial liabilities is as follows:

	Weighted average interest rate %	Less than 1 year or repayable on demand HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
As at 31 March 2020							
Other payables	—	32,489	—	—	—	32,489	32,489
Rental deposits received	—	1,568,750	—	—	—	1,568,750	1,568,750
Amount due to ultimate holding company	—	265,768,287	—	—	—	265,768,287	265,768,287
Amount due to fellow subsidiaries	—	2,113,814	—	—	—	2,113,814	2,113,814
Secured bank borrowings	3.03	15,038,896	15,038,896	25,916,686	64,859,700	120,854,178	98,110,406
		<u>284,522,236</u>	<u>15,038,896</u>	<u>25,916,686</u>	<u>64,859,700</u>	<u>390,337,518</u>	<u>367,593,746</u>

	Weighted average interest rate %	Less than 1 year or repayable on demand HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
As at 31 March 2021							
Other payables	—	11,372	—	—	—	11,372	11,372
Rental deposits received	—	663,750	—	—	—	663,750	663,750
Amount due to ultimate holding company	—	277,074,520	—	—	—	277,074,520	277,074,520
Amount due to fellow subsidiaries	—	622,160	—	—	—	622,160	622,160
Secured bank borrowings	1.13	9,247,119	9,247,119	27,741,355	49,319,915	95,555,508	90,144,576
		<u>287,618,921</u>	<u>9,247,119</u>	<u>27,741,355</u>	<u>49,319,915</u>	<u>373,927,310</u>	<u>368,516,378</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

	Weighted average interest rate %	Less than 1 year or repayable on demand HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
As at 31 March 2022							
Other payables	—	11,843	—	—	—	11,843	11,843
Rental deposits received	—	663,750	—	—	—	663,750	663,750
Amount due to ultimate holding company	—	285,766,018	—	—	—	285,766,018	285,766,018
Amount due to fellow subsidiaries	—	154,170	—	—	—	154,170	154,170
Secured bank borrowings	1.32	9,327,864	9,327,864	27,983,592	40,427,946	87,067,266	81,868,467
		<u>295,923,645</u>	<u>9,327,864</u>	<u>27,983,592</u>	<u>40,427,946</u>	<u>373,663,047</u>	<u>368,464,248</u>

	Weighted average interest rate %	Less than 1 year or repayable on demand HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
As at 30 September 2022							
Other payables	—	23,156	—	—	—	23,156	23,156
Rental deposits received	—	663,750	—	—	—	663,750	663,750
Amount due to ultimate holding company	—	289,629,231	—	—	—	289,629,231	289,629,231
Amount due to fellow subsidiaries	—	1,018,286	—	—	—	1,018,286	1,018,286
Secured bank borrowings	2.81	10,307,462	10,307,462	30,922,387	39,519,422	91,056,733	77,827,550
		<u>301,641,885</u>	<u>10,307,462</u>	<u>30,922,387</u>	<u>39,519,422</u>	<u>382,391,156</u>	<u>369,161,973</u>

Interest rate risk

Company D's exposure to interest-rate risk arises from its secured bank borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

At 31 March 2020, 2021, 2022 and 30 September 2022, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, loss after tax for the period/year would have been approximately HK\$410,000, HK\$376,000, HK\$342,000 and HK\$325,000 higher/lower, respectively, arising mainly as a result of higher/lower interest expense on secured bank borrowings.

Fair values

The carrying amounts of Company D's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

Categories of financial instruments at the end of the reporting period

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
<i>Financial assets:</i>				
Financial assets at amortised cost (including cash and cash equivalents)	297,332	222,220	111,360	87,828
<i>Financial liabilities:</i>				
Financial liabilities at amortised cost	367,593,746	368,516,378	368,464,248	369,161,973

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that Company D can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Company D's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			As at 31 March 2020
	Level 1	Level 2	Level 3	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	291,000,000	291,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2021
	Level 1	Level 2	Level 3	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	250,800,000	250,800,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Fair value measurements using:			As at 31 March 2022
	Level 1	Level 2	Level 3	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	241,700,000	241,700,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

	Fair value measurements using:			As at 30 September 2022
	Level 1	Level 2	Level 3	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Recurring fair value measurements:				
Investment property				
Commercial — Hong Kong	—	—	241,700,000	241,700,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the Relevant Periods, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. Company D's policy is to recognise transfer between levels of fair value hierarchy as at the end of the Relevant Periods in which they occur.

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment property				
	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
At the beginning of the year/period	340,700,000	291,000,000	250,800,000	250,800,000	241,700,000
Total losses recognised in profit or loss (#)	(49,700,000)	(40,200,000)	(9,100,000)	(300,000)	—
At the end of the year/period	<u>291,000,000</u>	<u>250,800,000</u>	<u>241,700,000</u>	<u>250,500,000</u>	<u>241,700,000</u>
(#) include gains or losses for assets held at end of the Relevant Periods	<u>(49,700,000)</u>	<u>(40,200,000)</u>	<u>(9,100,000)</u>	<u>(300,000)</u>	<u>—</u>

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in the statement of profit or loss and other comprehensive income.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

(c) Disclosure of valuation process used by Company D and valuation techniques and inputs used in fair value measurements:

Company D's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and directors at least twice a year.

For level 3 fair value measurements, Company D will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

As at 31 March 2020, 2021 and 2022 and 30 September 2022, Company D has engaged an independent valuer, Colliers International (Hong Kong) Limited, to determine the fair values of the investment property.

Key unobservable inputs used in level 3 fair value measurements are mainly:

Investment property held by Company D	Fair value at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Commercial unit	31 March 2020: HK\$291,000,000 31 March 2021: HK\$250,800,000 31 March 2022: HK\$241,700,000 30 September 2022: HK\$241,700,000	Level 3	Income approach — term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the condition of the building, which is 2%, 2%, 2% and 2% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the term yield and reversionary yield, the lower the fair value

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Investment property held by Company D	Fair value at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
			— reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, which is 2.35%, 2.45%, 2.45% and 2.40% as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	
			— monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements, which is HK\$417 per square foot, HK\$218 per square foot, HK\$218 per square foot and HK\$218 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the monthly term rental, the higher the fair value
			— reversionary rental	Market monthly rental rate, which is HK\$475 per square foot, HK\$578 per square foot, HK\$548 per square foot and HK\$533 per square foot as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively	The higher the reversionary rental, the higher the fair value

During the Relevant Periods, there were no changes in the valuation techniques used.

8. REVENUE

Revenue represents rental income received or receivable from property leasing during the year/period which fall outside the scope of HKFRS 15.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

9. OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	—	—	2	—	—
Sundry income	—	850	—	—	—
	—	850	2	—	—
	<u>—</u>	<u>850</u>	<u>2</u>	<u>—</u>	<u>—</u>

10. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Interest on bank borrowings	3,097,502	1,486,230	971,227	486,858	736,180
	<u>3,097,502</u>	<u>1,486,230</u>	<u>971,227</u>	<u>486,858</u>	<u>736,180</u>

11. INCOME TAX EXPENSE

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Current tax — Hong Kong Profits Tax:					
— Provision for the year/period	3,245	—	—	—	—
— Under-provision in prior year/period	—	1,152	—	—	—
	3,245	1,152	—	—	—
	<u>3,245</u>	<u>1,152</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2020. No provision for Hong Kong Profits Tax has been provided since Company D did not generate any assessable profit during the years ended 31 March 2021 and 2022 and six months ended 30 September 2021 and 2022.

Reconciliation between income tax expense and accounting profit/(loss) at Hong Kong Profits Tax rates:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
Loss before tax	(49,549,633)	(41,276,963)	(9,165,627)	(305,753)	(712,963)
Tax at the Hong Kong Profits Tax rate of 16.5%	(8,175,689)	(6,810,699)	(1,512,328)	(50,449)	(117,639)
Tax effect of expenses that are not deductible for tax purposes	8,200,500	6,633,000	1,501,500	49,500	—
Tax effect of tax losses not recognised	—	178,112	11,241	1,156	117,846
Under-provision for prior years	—	1,152	—	—	—
Others	(21,566)	(413)	(413)	(207)	(207)
Income tax expense for the year/period	<u>3,245</u>	<u>1,152</u>	<u>—</u>	<u>—</u>	<u>—</u>

At 31 March 2020, 2021, 2022 and 30 September 2022, Company D has unused tax losses of approximately HK\$Nil, HK\$1,079,000, HK\$1,148,000 and HK\$1,862,000 available for offset against future profits, respectively. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

12. LOSS FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				(unaudited)	
Director's emoluments					
— As director	—	—	—	—	—
— For management	659,940	242,395	420,014	216,905	350,960
Staff costs including directors' emoluments					
Salaries, bonus and allowances	2,252,101	739,842	1,264,428	643,078	1,047,259
Retirement benefits scheme contributions	49,815	16,624	2,740	14,824	19,413
Total staff costs	2,301,916	756,466	1,267,168	657,902	1,066,672
Auditor's remuneration					
— Current year	30,000	30,000	12,500	6,250	6,250
— Over-provision in prior year	—	—	(17,500)	(17,500)	—
	<u>30,000</u>	<u>30,000</u>	<u>(5,000)</u>	<u>(11,250)</u>	<u>6,250</u>

13. DIVIDENDS

The Directors of Company D do not recommend the payment of any dividend for the Relevant Periods.

14. INVESTMENT PROPERTY

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At the beginning of the year/period	340,700,000	291,000,000	250,800,000	241,700,000
Fair value loss	(49,700,000)	(40,200,000)	(9,100,000)	—
At the end of the year/period	<u>291,000,000</u>	<u>250,800,000</u>	<u>241,700,000</u>	<u>241,700,000</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

Company D lease out its investment property under operating lease. The lease term is 3 years, 3 years, 3 years and 3 years as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. The lease is on a fixed rental basis and do not include variable lease payments.

Management reviews the valuation performed by the independent valuer for financial reporting purposes. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of the investment property equates the best use.

For the fair value measurement of investment property please refer to note 7.

15. TRADE RECEIVABLES

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
Trade receivables	—	177,592	99,812	66,812

Company D does not grant credit period to its tenants. As at 31 March 2020, 2021, 2022 and 30 September 2022, trade receivables represent amounts arising from the effective rent adjustment for rent-free period granted to tenants.

No credit loss allowance has been recognised on the trade receivables as the directors consider that the amount is immaterial.

16. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due were unsecured, non-interest bearing and repayable on demand.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

17. SECURED BANK BORROWINGS

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):				
— within one year	7,373,182	8,273,756	8,296,927	7,616,112
— between one to two years	7,593,559	8,364,916	8,404,729	7,889,673
— between two to five years	24,203,598	25,667,082	25,897,074	25,475,565
— after five years	58,940,067	47,838,822	39,269,737	36,846,200
	<u>98,110,406</u>	<u>90,144,576</u>	<u>81,868,467</u>	<u>77,827,550</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(7,373,182)</u>	<u>(8,273,756)</u>	<u>(8,296,927)</u>	<u>(7,616,112)</u>
Amount due for settlement after 12 months	<u><u>90,737,224</u></u>	<u><u>81,870,820</u></u>	<u><u>73,571,540</u></u>	<u><u>70,211,438</u></u>

At 31 March 2020, 2021, 2022 and 30 September 2022, Company D's secured bank borrowings carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1%, HIBOR plus 1 %, HIBOR plus 1 % and HIBOR plus 1 % per annum, respectively, with effective interest at 3.03%, 1.13%, 1.32% and 2.81% per annum, respectively. The loans are secured by certain assets of the Company as disclosed in note 21.

18. SHARE CAPITAL

	<i>HK\$</i>
1 ordinary share of HK\$1 issued and fully paid	
At 1 April 2019, 31 March 2020, 2021, 2022 and 30 September 2022	<u><u>1</u></u>

19. CAPITAL RISK MANAGEMENT

Company D manages its capital to ensure Company D will be able to continue as a going concern while maximising the return to sole shareholder through the optimisation of the debt and equity balances. Company D's overall strategy remains unchanged from prior year/period.

The capital structure of Company D consists of debts, which includes amount due to ultimate holding company, amounts due to fellow subsidiaries, secured bank borrowings and equity of Company D, comprising issued share capital and accumulated losses.

The directors of Company D reviews the capital structure periodically. Company D considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares buy-backs as well as the raising of new debts if required.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

20. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows Company D's changes in liabilities arising from financing activities during the Relevant Periods:

	Amounts due to fellow subsidiaries <i>HK\$</i>	Amount due to ultimate holding company <i>HK\$</i>	Secured bank borrowings <i>HK\$</i>	Total
At 1 April 2019	382,147	260,097,380	105,252,184	365,731,711
Changes in cash flows	1,731,667	5,670,907	(10,239,280)	(2,836,706)
Non-cash change:				
— Interest expenses on bank borrowings	—	—	3,097,502	3,097,502
At 31 March 2020 and 1 April 2020	2,113,814	265,768,287	98,110,406	365,992,507
Changes in cash flows	(1,491,654)	11,306,233	(9,452,060)	362,519
Non-cash change:				
— Interest expenses on bank borrowings	—	—	1,486,230	1,486,230
At 31 March 2021 and 1 April 2021	622,160	277,074,520	90,144,576	367,841,256
Changes in cash flows	(467,990)	8,691,498	(9,247,336)	(1,023,828)
Non-cash change:				
— Interest expenses on bank borrowings	—	—	971,227	971,227
At 31 March 2022 and 1 April 2022	154,170	285,766,018	81,868,467	367,788,655
Changes in cash flows	864,116	3,863,213	(4,777,097)	(49,768)
Non-cash change:				
— Interest expenses on bank borrowings	—	—	736,180	736,180
At 30 September 2022	<u>1,018,286</u>	<u>289,629,231</u>	<u>77,827,550</u>	<u>368,475,067</u>
At 1 April 2021	622,160	277,074,520	90,144,576	367,841,256
Changes in cash flows (unaudited)	(107,042)	4,230,747	(4,615,727)	(492,022)
Non-cash change:				
— Interest expenses on bank borrowings (unaudited)	—	—	486,858	486,858
At 30 September 2021 (unaudited)	<u>515,118</u>	<u>281,305,267</u>	<u>86,015,707</u>	<u>367,836,092</u>

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

21. PLEDGE OF ASSETS

At 31 March 2020, 2021, 2022 and 30 September 2022, investment property of Company D with a carrying amount of HK\$291,000,000, HK\$250,800,000, HK\$241,700,000 and HK\$241,700,000 is pledged to a bank to secure credit facilities granted to the ultimate holding company, respectively. In addition, rentals and future sales proceeds in respect of this investment property are also pledged to the bank.

22. OPERATING LEASE COMMITMENT**Company D as lessor**

Company D leases out investment property under operating lease. The future aggregate minimum lease rental receivable under non cancellable operating lease in respect of investment property as follows:

	As at 31 March		As at 30 September	
	2020	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
Within one year	16,667	2,400,000	2,400,000	2,286,667
In the second to fifth year inclusive	—	3,486,667	1,086,667	—
	<u>16,667</u>	<u>5,886,667</u>	<u>3,486,667</u>	<u>2,286,667</u>

Under the lease entered into by Company D, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. At 31 March 2020, 2021, 2022 and 30 September 2022, the investment property has a committed tenant for a term of three years, three years, three years and three years, respectively.

APPENDIX IV FINANCIAL INFORMATION OF THE SALE COMPANIES

23. CONTINGENT LIABILITIES

	As at 31 March			As at
				30 September
	2020	2021	2022	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Corporate guarantees given to a bank for credit facilities granted to the ultimate holding company	34,149,600	32,442,120	48,999,417	48,013,077

In the opinion of the directors, the fair value of the financial guarantee contracts at grant date was insignificant.

24. RELATED PARTY TRANSACTIONS

Other than as disclosed transaction and balance elsewhere in notes 16, 21 and 23 to the Historical Financial Information, during the Relevant Period, Company D had no other related party transaction.

	Year ended 31 March			Six months ended	
				30 September	
	2020	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Agency fee paid to a fellow subsidiary	252,000	41,363	59,175	—	—

(unaudited)

25. EVENTS AFTER THE REPORTING PERIOD

No audited financial statements have been prepared by Company D in respect of any period subsequent to 30 September 2022.

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

INTRODUCTION

The accompanying unaudited pro forma financial information of the Post-Transaction Easyknit Group has been prepared to illustrate the effect of the disposal of the entire issued share capital of each of the Sale Companies and the assignment of the Sale Loans to Eminence subject to the terms and conditions of the Sale and Purchase Agreements (the “**Disposal**”) on the Easyknit Group’s financial position as at 30 September 2022, as if the Disposal had been taken place on 30 September 2022, and on the Easyknit Group’s financial performance for the year ended 31 March 2022, as if the Disposal had been taken place on 1 April 2021.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Post-Transaction Easyknit Group for the year ended 31 March 2022 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Easyknit Group for the year ended 31 March 2022 as extracted from the annual report of the Easyknit Group for the year ended 31 March 2022 and the audited statements of profit or loss and other comprehensive income and audited statements of cash flows of the Sale Companies for the year ended 31 March 2022 as extracted from the accountants’ reports set out in Appendix IV to this joint circular as if the Disposal had been completed on 1 April 2021.

The unaudited pro forma consolidated statement of financial position of the Post-Transaction Easyknit Group as at 30 September 2022 is prepared based on the unaudited condensed consolidated statement of financial position of the Easyknit Group as at 30 September 2022 as extracted from the interim report of the Easyknit Group for the six months ended 30 September 2022 and the audited statements of financial position of the Sale Companies as at 30 September 2022 as extracted from the accountants’ reports set out in Appendix IV to this joint circular as if the Disposal had been completed on 30 September 2022.

The unaudited pro forma financial information of the Post-Transaction Easyknit Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Post-Transaction Easyknit Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Post-Transaction Easyknit Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Post-Transaction Easyknit Group does not purport to predict the Post-Transaction Easyknit Group’s future financial position, results of operation or cash flows.

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

The unaudited pro forma financial information of the Post-Transaction Easyknit Group should be read in conjunction with the financial information of the Easyknit Group as set out in Appendix II, the financial information of the Sale Companies as set out in Appendix IV and other financial information included elsewhere in this joint circular.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE POST-TRANSACTION EASYKNIT GROUP

	Easyknit Group as at 30 September 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments			Unaudited pro forma total for the Post-Transaction Easyknit Group <i>HK\$'000</i>
		<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	
Non-current assets					
Property, plant and equipment	200,210	—	—	—	200,210
Right-of-use assets	1,172	—	—	—	1,172
Intangible asset	2,530	—	—	—	2,530
Investment properties	2,451,707	—	—	—	2,451,707
Interest in a joint venture	48	—	—	—	48
Financial assets at fair value through profit or loss ("FVTPL")	41,286	—	—	—	41,286
Debt instruments at fair value through other comprehensive income ("FVTOCI")	370	—	—	—	370
Debt instruments at amortised cost	22,576	—	—	—	22,576
Loans receivable	78,186	—	—	—	78,186
Deferred tax assets	12,063	—	—	—	12,063
Other receivables	6,000	—	—	—	6,000
Deposits	285	—	—	—	285
	2,816,433	—	—	—	2,816,433

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

	Easyknit				Unaudited
	Group as at				pro forma
	30 September				total for the
	2022				Post-Transaction
	Pro forma adjustments				Easyknit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	HK\$'000
Current assets					
Properties held for development					
for sale	4,529,075	—	—	—	4,529,075
Properties held for sale	782,647	—	—	—	782,647
Trade and other receivables	178,967	—	—	—	178,967
Financial assets at FVTPL	192,701	—	—	—	192,701
Loans receivable	138,042	—	—	—	138,042
Debt instruments at FVTOCI	2,166	—	—	—	2,166
Debt instrument at amortised					
cost	31,438	—	—	—	31,438
Bank balances and cash	261,040	(126,952)	126,000	(922)	259,166
	<u>6,116,076</u>	<u>(126,952)</u>	<u>126,000</u>	<u>(922)</u>	<u>6,114,202</u>
Current liabilities					
Trade and other payables	115,102	(294)	—	—	114,808
Contract liabilities	20,153	—	—	—	20,153
Amount due to a					
non-controlling shareholder	163,814	—	—	—	163,814
Tax payable	64,139	—	—	—	64,139
Lease liabilities	1,047	—	—	—	1,047
Secured bank borrowings	1,444,577	(9,589)	—	—	1,434,988
	<u>1,808,832</u>	<u>(9,883)</u>	<u>—</u>	<u>—</u>	<u>1,798,949</u>
Net current assets	<u>4,307,244</u>	<u>(117,069)</u>	<u>126,000</u>	<u>(922)</u>	<u>4,315,253</u>
Total assets less current liabilities	<u>7,123,677</u>	<u>(117,069)</u>	<u>126,000</u>	<u>(922)</u>	<u>7,131,686</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

	Easyknit				Unaudited
	Group as at				pro forma
	30 September				total for the
	2022				Post-Transaction
	Pro forma adjustments				Easyknit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	HK\$'000
Non-current liabilities					
Deferred tax liabilities	21,351	—	—	—	21,351
Convertible note	—	—	—	—	—
Secured bank borrowings	2,167,443	(116,252)	126,000	—	2,177,191
Lease liabilities	162	—	—	—	162
	<u>2,188,956</u>	<u>(116,252)</u>	<u>126,000</u>	<u>—</u>	<u>2,198,704</u>
Net assets	<u>4,934,721</u>	<u>(817)</u>	<u>—</u>	<u>(922)</u>	<u>4,932,982</u>
Capital and reserves					
Share capital	7,399	—	—	—	7,399
Reserves	3,396,362	(23,848)	—	(922)	3,371,592
Equity attributable to owners					
of Easyknit	3,403,761	(23,848)	—	(922)	3,378,991
Non-controlling interests	1,530,960	23,031	—	—	1,553,991
Total equity	<u>4,934,721</u>	<u>(817)</u>	<u>—</u>	<u>(922)</u>	<u>4,932,982</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

Notes to the unaudited pro forma consolidated statement of financial position:

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Easyknit Group as at 30 September 2022 as set out in the interim report of the Easyknit Group for the six months ended 30 September 2022.
2. For pro forma purpose, it is assumed that, upon the Disposal has been completed on 30 September 2022, the Eminence Group obtained control of the Sale Companies and the Sale Companies become the subsidiaries of the Eminence Group. The Easyknit Sale Consideration will be settled through cash and the 2023 Convertible Note issued by the Eminence Group, and less a sum equal to the amount of bank loans outstanding at the completion date.

As at 30 September 2022, 51.60% of the Eminence shares then in issue were held by the Easyknit Group and Eminence as a subsidiary of Easyknit. The Disposal is an intercompany transaction and eliminated in the consolidation level of Easyknit Group. The effect on Easyknit Group's Post-Transaction financial position would only affect the non-controlling interests in Eminence. The calculation of changes of non-controlling interests (48.40%) in Eminence Group as follow:

As at 30 September 2022

	<i>Notes</i>	<i>HK'000</i>
Net liabilities recognised from Sale Companies	<i>(i)</i>	(96,739)
Elimination of Sale Loans after assignment		350,978
Easyknit Sale Consideration — Cash		(131,000)
Easyknit Sale Consideration — 2023 Convertible Note liability component	<i>(ii)</i>	(152,689)
Repayment of secured bank borrowings and accrued interest (included in trade and other payable) in the Company D	<i>(iii)</i>	77,851
Estimated transaction costs directly attributable to the acquisition		(817)
Change in net assets of Eminence Group		<u>47,584</u>
Percentage of Eminence shares held by the Easyknit Group		51.60%
		<i>HK'000</i>
Change in non-controlling interests (48.40%) of Eminence Group		<u>23,031</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

Notes:

- (i) The financial information of the Sale Companies is extracted from the audited statement of financial position of the Sale Companies as at 30 September 2022 as set out in the accountants' reports on the Sale Companies which is contained in Appendix IV to this joint circular. The figures are derived as follows:

	Company A	Company B	Company C	Company D	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	43,100	24,200	23,600	241,700	332,600
Trade and other receivables	71	27	35	69	202
Bank balances and cash	197	140	328	21	686
Trade and other payables	(185)	(172)	(346)	(693)	(1,396)
Tax payable	(25)	—	—	—	(25)
Secured bank borrowings	—	—	—	(77,828)	(77,828)
Sale Loans	(22,717)	(19,702)	(17,911)	(290,648)	(350,978)
Net assets acquired (liabilities recognised)	20,441	4,493	5,706	(127,379)	(96,739)

- (ii) The fair value of 2023 Convertible Note issued by Eminence Group as part of the Easyknit Sale Consideration paid as at 30 September 2022. It is assumed to be the fair value of approximately HK\$200,487,000 which carried out as at 30 November 2022 by the independent valuer, Fairdex Valuation Advisory Limited, for pro forma purpose (contains liability component of approximately HK\$152,689,000 and equity component of approximately HK\$47,798,000 in the Eminence Group, respectively).
- (iii) As per the Sale and Purchase Agreements, the cash payment of Easyknit Sale Consideration of HK\$131,000,000 which included the repayment of the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit of approximately HK\$48,284,000 and Company D of approximately HK\$77,851,000.

The adjustment represents the increase of non-controlling interests in Eminence of approximately HK\$23,031,000; payment of the estimated transaction costs directly attributable to the Disposal of approximately HK\$817,000 by Eminence Group; and repayment of the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D of approximately HK\$126,135,000 in aggregate on 30 September 2022.

3. The adjustment represents that Eminence Group intends to finance from bank to repay the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D, being approximately HK\$126,000,000.
4. The adjustment represents payment of the estimated transaction costs directly attributable to the Disposal of approximately HK\$922,000 by Easyknit Group.
5. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 30 September 2022.

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME OF THE POST-TRANSACTION
EASYKNIT GROUP**

	Easyknit Group for the year ended 31 March 2022				Unaudited pro forma total for the Post-Transaction Easyknit Group	
	HK\$'000		Adjustments		HK\$'000	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 5)
Revenue						
Sales of properties	248,576	—	—	—	—	248,576
Rental income	65,283	—	—	—	—	65,283
Interest income from loan financing	17,262	—	—	—	—	17,262
Building management	19,663	—	—	—	—	19,663
	350,784	—	—	—	—	350,784
Cost of properties sold and services rendered	(175,796)	—	—	—	—	(175,796)
Gross profit	174,988	—	—	—	—	174,988
Other income, gains and losses	20,123	—	—	—	—	20,123
Distribution and selling expenses	(37,856)	—	—	—	—	(37,856)
Administrative expenses	(101,374)	—	—	—	—	(101,374)
Other expenses	(231)	(817)	—	—	(922)	(1,970)
Write-back on properties held for development for sale	1,629	—	—	—	—	1,629
Gain (loss) on changes in fair value of investment properties	37,064	—	—	—	—	37,064
Loss on revaluation of intangible assets	(723)	—	—	—	—	(723)
Net loss on changes in fair value of financial assets at fair value through profit or loss	(37,905)	—	—	—	—	(37,905)
Release on disposal of debt instruments at fair value through other comprehensive income	(3,819)	—	—	—	—	(3,819)
Gain on settlement of loans receivable by properties	35,846	—	—	—	—	35,846
Impairment loss on financial assets, net:						
— Loans receivable	(27,224)	—	—	—	—	(27,224)
— Debt instruments at fair value through other comprehensive income	(22,286)	—	—	—	—	(22,286)
— Debt instruments at amortised cost	(1,090)	—	—	—	—	(1,090)

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

	Easyknit Group for the year ended 31 March 2022				Unaudited pro forma total for the Post-Transaction Easyknit Group	
	HK\$'000	HK\$'000	Adjustments		HK\$'000	HK\$'000
	(Note 1)	(Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	
Gain on bargain purchase on acquisition of a subsidiary	1,676,151	—	—	—	—	1,676,151
Loss on remeasurement of interest in an associate	(656,380)	—	—	—	—	(656,380)
Share of results of associate	(1,250)	—	—	—	—	(1,250)
Share of results of a joint venture	(5)	—	—	—	—	(5)
Finance costs	(28,415)	—	1,571	(1,663)	—	(28,507)
Profit before taxation	1,027,243	(817)	1,571	(1,663)	(922)	1,025,412
Taxation credit	(17,743)	—	—	—	—	(17,743)
Profit for the year	<u>1,009,500</u>	<u>(817)</u>	<u>1,571</u>	<u>(1,663)</u>	<u>(922)</u>	<u>1,007,669</u>
Other comprehensive income (expense)						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Share of other comprehensive (expense) income of an associate:						
Share of fair value through other comprehensive income reserve of an associate	33	—	—	—	—	33
Reclassification of translation reserve to profit or loss upon deemed disposal of interest in associate	(570)	—	—	—	—	(570)
Reclassification of fair value through other comprehensive income reserve to profit or loss upon deemed disposal of interest in associate	(12,707)	—	—	—	—	(12,707)
	<u>(13,244)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(13,244)</u>
Exchange differences arising on translation of financial statements of foreign operations	13,798	—	—	—	—	13,798
Change in fair value of debt instruments at fair value through other comprehensive income	(22,656)	—	—	—	—	(22,656)
Release on disposal of debt instruments at fair value through other comprehensive income	3,819	—	—	—	—	3,819

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

	Easyknit Group for the year ended 31 March 2022				Unaudited pro forma total for the Post-Transaction Easyknit Group	
	<i>HK\$'000</i>	<i>HK\$'000</i>	Adjustments		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	
Impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss, net	22,286	—	—	—	—	22,286
Other comprehensive income for the year	4,003	—	—	—	—	4,003
Total comprehensive income for the year	<u>1,013,503</u>	<u>(817)</u>	<u>1,571</u>	<u>(1,663)</u>	<u>(922)</u>	<u>1,011,672</u>
Profit for the year attributable to:						
Owners of Easyknit	979,437	5,216	1,326	(1,243)	(922)	983,814
Non-controlling interests	30,063	(6,033)	245	(420)	—	23,855
	<u>1,009,500</u>	<u>(817)</u>	<u>1,571</u>	<u>(1,663)</u>	<u>(922)</u>	<u>1,007,669</u>
Total comprehensive income for the year attributable to:						
Owners of Easyknit	979,064	5,216	1,326	(1,243)	(922)	983,441
Non-controlling interests	34,439	(6,033)	245	(420)	—	28,231
	<u>1,013,503</u>	<u>(817)</u>	<u>1,571</u>	<u>(1,663)</u>	<u>(922)</u>	<u>1,011,672</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

Notes to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Easyknit Group for the year ended 31 March 2022 as set out in the annual report of the Easyknit Group for the year ended 31 March 2022.
2. For pro forma purpose, it is assumed that, upon the Disposal has been completed on 1 April 2021, the Eminence Group obtained control of the Sale Companies and the Sale Companies become the subsidiaries of the Eminence Group.

During the year ended 31 March 2022, the Easyknit Group acquired additional equity interest in Eminence through cash offer and Eminence became a subsidiary of the Easyknit upon close of the share offer in April 2021. At 31 March 2022, the Easyknit Group held 74.76% of the issued share capital of Eminence.

For pro forma purpose, owners of Easyknit of 74.76% and the non-controlling interest of 25.24% were assumed to be the sharing percentage of the results of the Sale Companies during the year ended 31 March 2022 and assumed Eminence become the subsidiary of Easyknit as at 1 April 2021.

The Disposal is an intercompany transaction and eliminated in the consolidation level of Easyknit Group. The effect on Easyknit Group's Post-Transaction profit or loss and other comprehensive income would only affect the non-controlling interests in Eminence. The calculation of changes of non-controlling interests (25.24%) in Eminence Group as follow:

For the year ended 31 March 2022

	<i>Notes</i>	<i>HK'000</i>
Loss for the year of Sale Companies	<i>(i)</i>	(6,111)
Elimination of the intercompany interest expenses on Sale Loans		1,218
Gain on the acquisition of Sale Companies by Eminence	<i>(ii)</i>	166
Effective interest expense of 2023 Convertible Note	<i>(iii)</i>	(19,178)
Change in profit or loss and other comprehensive income of Eminence Group		<u>(23,905)</u>
Percentage of Eminence shares held by the Easyknit Group		74.76%
		<i>HK'000</i>
Changes of non-controlling interests (25.24%) in Eminence Group		<u>(6,033)</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

Notes:

- (i) The financial information of the Sale Companies is extracted from the audited statement of profit or loss and other comprehensive income of the Sale Companies for the year ended 31 March 2022 as set out in the accountants' reports on the Sale Companies which is contained in Appendix IV to this joint circular. The figures are derived as follows:

	Company A	Company B	Company C	Company D	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
Rental income	788	583	560	2,334	4,265
Other income	1	—	1	—	2
Administrative expenses	(61)	(44)	(51)	(1,428)	(1,584)
Gain (loss) on changes in fair value of investment properties	1,100	800	600	(9,100)	(6,600)
Finance costs	(462)	(395)	(361)	(971)	(2,189)
Profit (loss) before taxation	1,366	944	749	(9,165)	(6,106)
Taxation charge	(5)	—	—	—	(5)
Profit (loss) for the year	<u>1,361</u>	<u>944</u>	<u>749</u>	<u>(9,165)</u>	<u>(6,111)</u>

- (ii) The net liabilities recognised from the Sale Companies is extracted from the audited statement of financial position of Sale Companies as at 31 March 2021 as set out in the accountants' reports set out in Appendix IV to this joint circular, as if the Disposal has taken place on 1 April 2021. The figures are derived as follows:

	Company A	Company B	Company C	Company D	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	38,400	20,800	22,300	250,800	332,300
Trade and other receivables	179	52	126	178	535
Tax recoverable	5	—	3	24	32
Bank balances and cash	331	380	145	45	901
Trade and other payables	(186)	(178)	(237)	(705)	(1,306)
Secured bank borrowings	—	—	—	(90,145)	(90,145)
Sale Loans	(23,430)	(20,186)	(18,193)	(277,697)	(339,506)
Net assets acquired (liabilities recognised)	<u>15,299</u>	<u>868</u>	<u>4,144</u>	<u>(117,500)</u>	<u>(97,189)</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF POST-TRANSACTION EASYKNIT GROUP**

For pro forma purpose, it is assumed that, upon the Disposal has been completed on 1 April 2021, the Eminence Group obtained control of the Sale Companies and the Sale Companies become the subsidiaries of Eminence Group. The Easyknit Sale Consideration will be settled through cash and 2023 Convertible Note issued by Eminence Group, and less a sum equal to the amount of bank loans outstanding at the completion date. The details of the calculation are set out as follows:

	<i>HK\$'000</i>
Total identifiable net assets at fair value	
(i) Net liabilities recognised from the Sale Companies	(97,189)
Add:	
(ii) Sale Loans assigned to Eminence	339,506
	242,317
Less: Total consideration	
(iii) Consideration paid	
— Cash	131,000
— 2023 Convertible Note (fair value assumed as at 30 November 2022)	200,487
Less:	
(iv) Secured bank borrowings and accrued interest (included in trade and other payable) in Company D	(90,153)
	241,334
Less: Estimated transaction costs directly attributable to the acquisition	817
Gain on the acquisition of Sale Companies by Eminence	166
(iii) The adjustment represents Eminence Group recognised the effective interest expense of approximately HK\$19,178,000 on the 2023 Convertible Note with the effective interest rate of the liability component of the 2023 Convertible Note is 12.77% per annum at the date of initial recognition.	

The adjustment represents the movement of non-controlling interests in Eminence of approximately HK\$6,341,000 and payment of the estimated transaction costs directly attributable to the Disposal of approximately HK\$817,000 by Eminence Group.

3. The adjustment represents reversal of bank loan interest expenses related to Easyknit and Company D during the year ended 31 March 2022 as the bank loans of Easyknit and Company D were assumed to be repaid at the completion date.
4. The adjustment represents that Eminence Group intends to finance from bank to repay the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D, being approximately HK\$126,000,000 in aggregate on 1 April 2021. The interest expenses of approximately HK\$1,663,000 on the new bank borrowings recognised in profit or loss which is assumed carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1% per annum, with effective interest rate at 1.32% per annum.
5. The adjustment represents payment of the estimated transaction costs directly attributable to the Disposal of approximately HK\$992,000 by Easyknit Group.
6. All the adjustments have no continuing effect except for Note 4 above.
7. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2022.

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**C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF
THE POST-TRANSACTION EASYKNIT GROUP**

	Easyknit Group for the year ended 31 March 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments				Unaudited pro forma total for the Post-Transaction Easyknit Group <i>HK\$'000</i>
		<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	
Cash flows from operating activities						
Profit before taxation	1,027,243	(817)	1,571	(1,663)	(922)	1,025,412
Adjustments for:						—
Interest income	(22,425)	—	—	—	—	(22,425)
Interest expense	28,415	—	(1,571)	1,663	—	28,507
Depreciation of property, plant and equipment	8,167	—	—	—	—	8,167
Depreciation on right-of-use assets	673	—	—	—	—	673
Dividend income from listed investments	(10,825)	—	—	—	—	(10,825)
(Gain) loss on changes in fair value of investment properties	(37,064)	—	—	—	—	(37,064)
Gain on settlement of loan receivable by properties	(35,846)	—	—	—	—	(35,846)
Gain on disposal of property, plant and equipment	(382)	—	—	—	—	(382)
Gain on bargain purchase of additional interest in an associate	(1,676,151)	—	—	—	—	(1,676,151)
Write-back on properties held for development for sale	(1,629)	—	—	—	—	(1,629)
Loss on changes in fair value of financial assets at fair value through profit or loss	37,905	—	—	—	—	37,905
Loss on disposal of debt instruments at fair value through other comprehensive income	3,819	—	—	—	—	3,819
Impairment loss on loans receivable, net	27,224	—	—	—	—	27,224
Impairment loss on debt instruments at fair value through other comprehensive income	22,286	—	—	—	—	22,286
Impairment loss on debt instruments at amortised cost	1,090	—	—	—	—	1,090
Share of results of an associate	1,250	—	—	—	—	1,250
Share of results of a joint venture	5	—	—	—	—	5
Loss on remeasurement of interest in associate	656,380	—	—	—	—	656,380

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	Easyknit Group for the year ended 31 March 2022				Unaudited pro forma total for the Post-Transaction Easyknit Group	
	Pro forma adjustments					
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000
Loss on revaluation of intangible assets	723	—	—	—	—	723
Recognition of equity-settled share based payment	581	—	—	—	—	581
Operating cash flows before movements in working capital	31,439	(817)	—	—	(922)	29,700
Increase in properties held for development for sale	(658,441)	—	—	—	—	(658,441)
Decrease in properties held for sale	171,702	—	—	—	—	171,702
Increase in financial assets at fair value through profit or loss	(13,531)	—	—	—	—	(13,531)
Decrease in trade and other receivables	1,540	—	—	—	—	1,540
Increase in loans receivable	(12,795)	—	—	—	—	(12,795)
Increase in trade and other payables	6,415	—	—	—	—	6,415
Increase in contract liabilities	10,258	—	—	—	—	10,258
Cash used in operations	(463,413)	(817)	—	—	(922)	(465,152)
Hong Kong Profits Tax paid	(5,644)	—	—	—	—	(5,644)
Dividend received	10,825	—	—	—	—	10,825
Interest received from loan financing	17,262	—	—	—	—	17,262
Net cash used in operating activities	(440,970)	(817)	—	—	(922)	(442,709)
Cash flows from investing activities						
Acquisition of financial assets at fair value through profit or loss	(302,342)	—	—	—	—	(302,342)
Net cash outflows on acquisition of a subsidiary	(111,852)	—	—	—	—	(111,852)
Purchase of debt instruments at amortised cost	(42,258)	—	—	—	—	(42,258)
Purchase of intangible assets	(10,733)	—	—	—	—	(10,733)
Purchase of debt instruments at fair value through other comprehensive income	(10,667)	—	—	—	—	(10,667)
Purchase of property, plant and equipment	(1,924)	—	—	—	—	(1,924)
Addition of investment properties	(1,433)	—	—	—	—	(1,433)
Proceeds from disposal of financial assets at fair value through profit or loss	183,312	—	—	—	—	183,312

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	Easyknit Group for the year ended 31 March 2022				Unaudited pro forma total for the Post-Transaction Easyknit Group	
	HK\$'000	HK\$'000	Pro forma adjustments		HK\$'000	HK\$'000
	(Note 1)	(Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	
Proceeds from maturity of debt instruments at fair value through other comprehensive income	31,204	—	—	—	—	31,204
Proceeds from disposal of investment properties	19,517	—	—	—	—	19,517
Other interest received	8,905	—	—	—	—	8,905
Proceeds from disposal of intangible assets	3,447	—	—	—	—	3,447
Proceeds from disposal of property, plant and equipment	931	—	—	—	—	931
Net cash outflow of the acquisition of Sale Companies	—	—	—	—	—	—
Net cash used in investing activities	(233,893)	—	—	—	—	(233,893)
Cash flows from financing activities						
Bank borrowings raised	1,830,377	—	—	126,000	—	1,956,377
Advance from a non-controlling shareholder	57,826	—	—	—	—	57,826
Repayment of bank borrowings	(1,252,012)	(122,587)	—	—	—	(1,374,599)
Repurchase of shares	(33,212)	—	—	—	—	(33,212)
Interest paid	(51,800)	(32)	1,571	(1,663)	—	(51,924)
Repayment of lease liabilities	(656)	—	—	—	—	(656)
Net cash from financing activities	550,523	(122,619)	1,571	124,337	—	553,812
Net decrease in cash and cash equivalents	(124,340)	(123,436)	1,571	124,337	(922)	(122,790)
Cash and cash equivalents at beginning of the year	308,222	—	—	—	—	308,222
Effect of foreign exchange rate changes	543	—	—	—	—	543
Cash and cash equivalents at end of the year, represented by bank balances and cash	184,425	(123,436)	1,571	124,337	(922)	185,975

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Notes to the unaudited pro forma consolidated statement of cash flows:

1. The figures are extracted from the audited consolidated statement of cash flows of the Easyknit Group for the year ended 31 March 2022 as set out in the annual report of the Easyknit Group for the year ended 31 March 2022.
2. For pro forma purpose, it is assumed that, upon the Disposal has been completed on 1 April 2021, the Eminence Group obtained control of the Sale Companies and the Sale Companies become the subsidiaries of the Eminence Group and Eminence become the subsidiary of Easyknit as at 1 April 2021.

The adjustment represents payment of the estimated transaction costs directly attributable to the Disposal of approximately HK\$817,000 by Eminence Group and repayment of the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D of approximately HK\$122,619,000 in aggregate on 1 April 2021.

3. The adjustment represents reversal of bank loan interest expenses related to Easyknit and Company D during the year ended 31 March 2022 as the bank loans of Easyknit and Company D were assumed to be repaid at the completion date.
4. The adjustment represents that Eminence Group intends to finance from bank to repay the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D, being approximately HK\$126,000,000 in aggregate on 1 April 2021. The interest expenses on the new bank borrowings of approximately HK\$1,663,000 recognised in profit or loss which is assumed carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1% per annum, with effective interest rate at 1.32% per annum.
5. The adjustment represents payment of the estimated transaction costs attributable to the Disposal of approximately HK\$992,000 by Easyknit Group.
6. All the adjustments have no continuing effect except for Note 4 above.
7. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2022.

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**D. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of a report, prepared for the sole purpose of inclusion in this joint circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



21 January 2023

The Board of Directors
Easyknit International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easyknit International Holdings Limited (the “**Easyknit**”) and its subsidiaries (hereinafter collectively referred to as the “**Easyknit Group**”) by the directors of the Easyknit for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2022 and related notes as set out on pages V-2 to V-16 of the circular issued by the Easyknit and Eminence Enterprise Limited (the “**Eminence**”) jointly dated 21 January 2023. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages V-1 to V-2.

The pro forma financial information has been compiled by the directors to illustrate the impact of the disposal of the entire issued share capital of each of the Sale Companies and the assignment of the Sale Loans to Eminence subject to the terms and conditions of the Sale and Purchase Agreements (the “**Disposal**”) on the Easyknit Group’s financial position as at 30 September 2022 and on the Easyknit Group’s financial performance and cash flows for the year ended 31 March 2022 as if the Disposal had been taken place at 30 September 2022 and 1 April 2021 respectively. As part of this process, information about the Easyknit Group’s financial position has been extracted by the directors from the Easyknit Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2022, on which no review report has been published; and information about the financial performance and cash flows has been extracted by the directors from the Easyknit Group’s audited consolidated financial statements for the year ended 31 March 2022, on which an auditor’s report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

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For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the circular jointly issued by Easyknit and Eminence is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Easyknit Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2022 and 1 April 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Easyknit Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Easyknit Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

APPENDIX VI UNAUDITED PRO FORMA FINANCIAL INFORMATION OF POST-TRANSACTION EMINENCE GROUP

INTRODUCTION

The accompanying unaudited pro forma financial information of the Post-Transaction Eminence Group has been prepared to illustrate the effect of the acquisition of the entire issued share capital of each of the Sale Companies and the assignment of the Sale Loans to Eminence subject to the terms and conditions of the Sale and Purchase Agreements (the “**Acquisition**”) on the Eminence Group’s financial position as at 30 September 2022, as if the Acquisition had been taken place on 30 September 2022, and on the Eminence Group’s financial performance for the year ended 31 March 2022, as if the Acquisition had been taken place on 1 April 2021.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Post-Transaction Eminence Group for the year ended 31 March 2022 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Eminence Group for the year ended 31 March 2022 as extracted from the annual report of the Eminence Group for the year ended 31 March 2022 and the audited statements of profit or loss and other comprehensive income and audited statements of cash flows of the Sale Companies for the year ended 31 March 2022 as extracted from the accountants’ report set out in Appendix IV to this joint circular as if the Acquisition had been completed on 1 April 2021.

The unaudited pro forma consolidated statement of financial position of the Post-Transaction Eminence Group as at 30 September 2022 is prepared based on the unaudited condensed consolidated statement of financial position of the Eminence Group as at 30 September 2022 as extracted from the interim report of the Eminence Group for the six months ended 30 September 2022 and the audited statements of financial position of the Sale Companies as at 30 September 2022 as extracted from the accountants’ reports set out in Appendix IV to this joint circular as if the Acquisition had been completed on 30 September 2022.

The unaudited pro forma financial information of the Post-Transaction Eminence Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Post-Transaction Eminence Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Post-Transaction Eminence Group that would have been attained had the Acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Post-Transaction Eminence Group does not purport to predict the Post-Transaction Eminence Group’s future financial position, results of operation or cash flows.

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The unaudited pro forma financial information of the Post-Transaction Eminence Group should be read in conjunction with the financial information of the Eminence Group as set out in Appendix III, the financial information of the Sale Companies as set out in Appendix IV and other financial information included elsewhere in this joint circular.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE POST-TRANSACTION EMINENCE GROUP

	Eminence Group as at 30 September 2022		Pro forma adjustments		Unaudited pro forma total for the Post- Transaction Eminence Group
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	
Non-current assets					
Property, plant and equipment	5,147	—	—	—	5,147
Right-of-use assets	2,499	—	—	—	2,499
Investment properties	1,384,497	332,600	214	(214)	1,717,097
Intangible assets	2,030	—	—	—	2,030
Loans receivable	18,373	—	—	—	18,373
Financial assets at fair value through profit or loss	41,286	—	—	—	41,286
Debt instruments at fair value through other comprehensive income	370	—	—	—	370
Debt instrument at amortised cost	22,576	—	—	—	22,576
Other receivables	6,000	—	—	—	6,000
Deferred tax assets	6,820	—	—	—	6,820
	<u>1,489,598</u>	<u>332,600</u>	<u>214</u>	<u>(214)</u>	<u>1,822,198</u>
Current assets					
Properties held for development for sale	3,104,784	—	—	—	3,104,784
Trade and other receivables	120,088	202	—	—	120,290
Loans receivable	50,977	—	—	—	50,977
Financial assets at fair value through profit or loss	38,453	—	—	—	38,453
Debt instruments at fair value through other comprehensive income	891	—	—	—	891
Bank balances and cash	231,109	686	(131,817)	—	225,978
	<u>3,546,302</u>	<u>888</u>	<u>(131,817)</u>	<u>—</u>	<u>3,541,373</u>

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	Eminence Group as at 30 September 2022		Pro forma adjustments		Unaudited pro forma total for the Post- Transaction Eminence Group HK\$'000	
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)		HK\$'000 (Note 5)
Current liabilities						
Trade and other payables	73,451	1,396	(23)	—	—	74,824
Tax payable	9,760	25	—	—	—	9,785
Secured bank borrowings	618,347	7,616	(7,616)	—	—	618,347
Lease liabilities	2,390	—	—	—	—	2,390
Sale Loans	—	350,978	(350,978)	—	—	—
	<u>703,948</u>	<u>360,015</u>	<u>(358,617)</u>	<u>—</u>	<u>—</u>	<u>705,346</u>
Net current assets	<u>2,842,354</u>	<u>(359,127)</u>	<u>226,800</u>	<u>—</u>	<u>126,000</u>	<u>2,836,027</u>
Total assets less current liabilities	<u>4,331,952</u>	<u>(26,527)</u>	<u>227,014</u>	<u>(214)</u>	<u>126,000</u>	<u>4,658,225</u>
Non-current liabilities						
Deferred tax liabilities	21,351	—	—	—	—	21,351
Convertible note	—	—	152,689	—	—	152,689
Secured bank borrowings	1,143,357	70,212	(70,212)	—	126,000	1,269,357
Lease liabilities	162	—	—	—	—	162
	<u>1,164,870</u>	<u>70,212</u>	<u>82,477</u>	<u>—</u>	<u>126,000</u>	<u>1,443,559</u>
Net assets	<u>3,167,082</u>	<u>(96,739)</u>	<u>144,537</u>	<u>(214)</u>	<u>—</u>	<u>3,214,666</u>
Capital and reserves						
Share capital	21,259	—	—	—	—	21,259
Reserves	3,145,823	(96,739)	144,537	(214)	—	3,193,407
Total equity	<u>3,167,082</u>	<u>(96,739)</u>	<u>144,537</u>	<u>(214)</u>	<u>—</u>	<u>3,214,666</u>

Notes to the unaudited pro forma consolidated statement of financial position:

- The figures are extracted from the unaudited condensed consolidated statement of financial position of the Eminence Group as at 30 September 2022 as set out in the interim report of the Eminence Group for the six months ended 30 September 2022.
- The adjustment represents the recognition of assets and liabilities of the Sale Companies as at 30 September 2022, as if the Acquisition has taken place on 30 September 2022. The financial information of the Sale Companies is extracted from the audited statement of financial position of the Sale Companies as at 30 September 2022 as set out in the accountants' reports set out in Appendix IV to this joint circular. The figures are derived as follows:

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	Company A <i>HK\$'000</i>	Company B <i>HK\$'000</i>	Company C <i>HK\$'000</i>	Company D <i>HK\$'000</i>	Total <i>HK\$'000</i>
Investment properties	43,100	24,200	23,600	241,700	332,600
Trade and other receivables	71	27	35	69	202
Bank balances and cash	197	140	328	21	686
Trade and other payables	(185)	(172)	(346)	(693)	(1,396)
Tax payable	(25)	—	—	—	(25)
Secured bank borrowings	—	—	—	(77,828)	(77,828)
Sale Loans	(22,717)	(19,702)	(17,911)	(290,648)	(350,978)
Net assets acquired (liabilities recognised)	20,441	4,493	5,706	(127,379)	(96,739)

3. For pro forma purpose, it is assumed that, upon the Acquisition has been completed on 30 September 2022, the Eminence Group obtained control of the Sale Companies and the Sale Companies become the subsidiaries of the Eminence Group. The Easyknit Sale Consideration will be settled through cash and the 2023 Convertible Note issued by the Eminence Group, and less a sum equal to the amount of bank loans outstanding at the completion date. The details of the calculation are set out as follows:

	<i>HK\$'000</i>
Total identifiable net assets at fair value	
(i) Net liabilities recognised from the Sale Companies	(96,739)
Add:	
(ii) Sale Loans assigned to the Eminence	350,978
	<u>254,239</u>
Less: Total consideration	
(iii) Easyknit Sale Consideration	
— Cash	131,000
— 2023 Convertible Note (fair value assumed as at 30 November 2022)	200,487
Less:	
(iv) Secured bank borrowings and accrued interest (included in trade and other payable) in the Company D	(77,851)
	<u>253,636</u>
Less: Estimated transaction costs directly attributable to the Acquisition	817
Loss on the Acquisition	<u>(214)</u>

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The adjustment represents:

- (i) cash consideration paid of HK\$131,000,000 including repayment of the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D approximately HK\$126,135,000 in aggregate and payment of cash consideration by Eminence to Easyknit Properties of HK\$4,865,000;
 - (ii) repayment of the secured bank borrowings of approximately HK\$77,828,000 and accrued interest of approximately HK\$23,000 (included in trade and other payable) respectively in Company D;
 - (iii) the elimination of intercompany balance of approximately HK\$350,978,000 after the Sale Loans assigned to the Eminence;
 - (iv) the fair value of 2023 Convertible Note issued by Eminence Group as part of the Easyknit Sale Consideration paid as at 30 September 2022. It is assumed to be the fair value of approximately HK\$200,487,000 which carried out as at 30 November 2022 by the independent valuer, Fairdex Valuation Advisory Limited, for pro forma purpose (contains liability component of approximately HK\$152,689,000 and equity component of approximately HK\$47,798,000, respectively); and
 - (v) the payment of the estimated transaction costs directly attributable to the Acquisition of approximately HK\$817,000.
 - (vi) the Acquisition did not constitute a business combination. The Acquisition is for the purpose of acquiring the Properties held by Sale Companies. Therefore, the loss on the Acquisition of approximately HK\$214,000 was allocated to the identifiable assets and liabilities of Sale Companies which is “Investment properties”.
4. The adjustment represents the loss on changes in fair value of investment properties of approximately HK\$214,000 related to the Properties which the fair value of approximately HK\$332,600,000 in aggregate as at 30 September 2022.
5. The adjustment represents that the Eminence Group intends to finance from bank to repay the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D, being approximately HK\$126,000,000.
6. No adjustments have been made to reflect any trading results or other transactions of the Eminence Group entered into subsequent to 30 September 2022.

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**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME OF THE POST-TRANSACTION
EMINENCE GROUP**

	Eminence Group for the year ended 31 March 2022		Pro forma adjustments				Unaudited pro forma total for the Post-Transaction Eminence Group
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000
Revenue							
Rental income	38,738	4,265	—	—	—	—	43,003
Management fee income	18,007	—	—	—	—	—	18,007
Interest income from loan financing	7,730	—	—	—	—	—	7,730
	64,475	4,265	—	—	—	—	68,740
Cost of services rendered	(2,910)	—	—	—	—	—	(2,910)
	61,565	4,265	—	—	—	—	65,830
Other income	9,464	2	—	—	—	—	9,466
Other gains and losses	38	—	—	—	—	—	38
Other expenses	(231)	—	—	—	—	—	(231)
Administrative expenses	(50,660)	(1,584)	—	—	—	—	(52,244)
Gain (loss) on changes in fair value of investment properties	63,054	(6,600)	166	—	—	—	56,620
Loss on revaluation of intangible assets	(723)	—	—	—	—	—	(723)
Release on disposal of debt instruments at fair value through other comprehensive income	(4,726)	—	—	—	—	—	(4,726)
Write-back on properties held for development for sale, net	79,919	—	—	—	—	—	79,919
Gain on settlement of loans receivable by properties	35,846	—	—	—	—	—	35,846
Impairment loss on financial assets, net:							
— Loans receivable	(21,461)	—	—	—	—	—	(21,461)
— Debt instruments at fair value through other comprehensive income	(9,453)	—	—	—	—	—	(9,453)
— Debt instrument at amortised cost	(914)	—	—	—	—	—	(914)
Net loss on changes in fair value of financial assets at fair value through profit or loss	(17,736)	—	—	—	—	—	(17,736)
Finance costs	(20,485)	(2,189)	—	(19,178)	2,189	(1,663)	(41,326)

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	Eminence Group for the year ended 31 March 2022	Pro forma adjustments					Unaudited pro forma total for the Post- Transaction Eminence Group
		HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	
Profit before taxation	123,497	(6,106)	166	(19,178)	2,189	(1,663)	98,905
Taxation charge	(7,050)	(5)	—	—	—	—	(7,055)
Profit for the year attributable to owners of Eminence	116,447	(6,111)	166	(19,178)	2,189	(1,663)	91,850
Other comprehensive income (expense)							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of financial statements of foreign operations	13,798	—	—	—	—	—	13,798
Change in fair value of debt instruments at fair value through other comprehensive income	(10,530)	—	—	—	—	—	(10,530)
Release on disposal of debt instruments at fair value through other comprehensive income	4,726	—	—	—	—	—	4,726
Impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss	9,453	—	—	—	—	—	9,453
Other comprehensive income for the year	17,447	—	—	—	—	—	17,447
Total comprehensive income for the year attributable to owners of Eminence	<u>133,894</u>	<u>(6,111)</u>	<u>166</u>	<u>(19,178)</u>	<u>2,189</u>	<u>(1,663)</u>	<u>109,297</u>

Notes to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income:

- The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Eminence Group for the year ended 31 March 2022 as set out in the annual report of the Eminence Group for the year ended 31 March 2022.

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2. The adjustment represents the acquisition of the Sale Companies, as if the Acquisition has taken place on 1 April 2021. The financial information of the Sale Companies is extracted from the audited statement of profit or loss and other comprehensive income of the Sale Companies for the year ended 31 March 2022 as set out in the accountants' reports on the Sale Companies which is contained in Appendix IV to this joint circular. The figures are derived as follows:

	Company A <i>HK\$'000</i>	Company B <i>HK\$'000</i>	Company C <i>HK\$'000</i>	Company D <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
Rental income	788	583	560	2,334	4,265
Other income	1	—	1	—	2
Administrative expenses	(61)	(44)	(51)	(1,428)	(1,584)
Gain (loss) on changes in fair value of investment properties	1,100	800	600	(9,100)	(6,600)
Finance costs	(462)	(395)	(361)	(971)	(2,189)
Profit (loss) before taxation	1,366	944	749	(9,165)	(6,106)
Taxation charge	(5)	—	—	—	(5)
Profit (loss) for the year	<u>1,361</u>	<u>944</u>	<u>749</u>	<u>(9,165)</u>	<u>(6,111)</u>

3. The net liabilities recognised from the Sale Companies is extracted from the audited statement of financial position of Sale Companies as at 31 March 2021 as set out in the accountants' reports set out in Appendix IV to this joint circular, as if the Acquisition has taken place on 1 April 2021. The figures are derived as follows:

	Company A <i>HK\$'000</i>	Company B <i>HK\$'000</i>	Company C <i>HK\$'000</i>	Company D <i>HK\$'000</i>	Total <i>HK\$'000</i>
Investment properties	38,400	20,800	22,300	250,800	332,300
Trade and other receivables	179	52	126	178	535
Tax recoverable	5	—	3	24	32
Bank balances and cash	331	380	145	45	901
Trade and other payables	(186)	(178)	(237)	(705)	(1,306)
Secured bank borrowings	—	—	—	(90,145)	(90,145)
Sale Loans	(23,430)	(20,186)	(18,193)	(277,697)	(339,506)
Net assets acquired (liabilities recognised)	<u>15,299</u>	<u>868</u>	<u>4,144</u>	<u>(117,500)</u>	<u>(97,189)</u>

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For pro forma purpose, it is assumed that, upon the Acquisition has been completed on 1 April 2021, the Eminence Group obtained control of the Sale Companies and the Sale Companies become the subsidiaries of Eminence Group. The Easyknit Sale Consideration will be settled through cash and 2023 Convertible Note issued by Eminence Group, and less a sum equal to the amount of bank loans outstanding at the completion date. The details of the calculation are set out as follows:

	<i>HK\$'000</i>
Total identifiable net assets at fair value	
(i) Net liabilities recognised from the Sale Companies	(97,189)
Add:	
(ii) Sale Loans assigned to Eminence	339,506
	242,317
Less: Total consideration	
(iii) Easyknit Sale Consideration	
— Cash	131,000
— 2023 Convertible Note (fair value assumed as at 30 November 2022)	200,487
Less:	
(iv) Secured bank borrowings and accrued interest (included in trade and other payable) in Company D	(90,153)
	241,334
Less: Estimated transaction costs directly attributable to the Acquisition	817
Gain on the Acquisition	166

The Acquisition did not constitute a business combination. The Acquisition is for the purpose of acquiring the Properties held by Sale Companies. Therefore, the gain on the Acquisition of approximately HK\$166,000 was allocated to the identifiable assets and liabilities of Sale Companies which is “Investment properties”.

The adjustment represents the gain on changes in fair value of investment properties of approximately HK\$166,000 related to the Properties which the fair value of approximately HK\$332,300,000 in aggregate as at 1 April 2021.

4. The adjustment represents the effective interest expense of approximately HK\$19,178,000 on the 2023 Convertible Note with the effective interest rate of the liability component of the 2023 Convertible Note is 12.77% per annum at the date of initial recognition.
5. The adjustment represents (i) elimination of the intercompany interest expenses on the Sale Loans after the Sale Loans assigned to Eminence at the completion date and (ii) reversal of bank loan interest expenses as the bank loans in Company D assumed to be repaid at the completion date.
6. The adjustment represents that Eminence Group intends to finance from bank to repay the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D, being approximately HK\$126,000,000 in aggregate at 1 April 2021. The interest expenses of approximately HK\$1,663,000 on the new bank borrowings recognised in profit or loss which is assumed carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1% per annum, with effective interest rate at 1.32% per annum.
7. All the adjustments have no continuing effect except for Notes 4 and 6 above.
8. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2022.

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**C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF
THE POST-TRANSACTION EMINENCE GROUP**

	Eminence Group for the year ended 31 March 2022 HK\$'000 (Note 1)	HK\$'000 (Note 2)	Pro forma adjustments			HK\$'000 (Note 6)	Unaudited pro forma total for the Post- Transaction Eminence Group HK\$'000
			HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)		
Operating activities							
Profit before taxation	123,497	(6,106)	166	(19,178)	2,189	(1,663)	98,905
Adjustments for:							
Bank interest income	(272)	—	—	—	—	—	(272)
Interest income from debt instrument at amortised cost	(1,556)	—	—	—	—	—	(1,556)
Interest income from debt instruments at fair value through other comprehensive income	(1,870)	—	—	—	—	—	(1,870)
Interest expense	20,485	2,189	—	19,178	(2,189)	1,663	41,326
Depreciation of property, plant and equipment	1,097	—	—	—	—	—	1,097
Depreciation of right-of-use assets	2,495	—	—	—	—	—	2,495
Loss on write-off of property, plant and equipment	36	—	—	—	—	—	36
(Gain) loss on changes in fair value of investment properties	(63,054)	6,600	(166)	—	—	—	(56,620)
Gain on settlement of loans receivables by properties	(35,846)	—	—	—	—	—	(35,846)
Gain on disposal of property, plant and equipment	(382)	—	—	—	—	—	(382)
Impairment loss on loans receivable, net	21,461	—	—	—	—	—	21,461
Impairment loss on debt instrument at amortised cost	914	—	—	—	—	—	914
Impairment loss on debt instruments at fair value through other comprehensive income	9,453	—	—	—	—	—	9,453
Loss on revaluation of intangible assets	723	—	—	—	—	—	723
Write-back on properties held for development for sale, net	(79,919)	—	—	—	—	—	(79,919)
Loss on changes in fair value of financial assets at fair value through profit or loss	17,736	—	—	—	—	—	17,736
Release on disposal of debt instruments at fair value through other comprehensive income	4,726	—	—	—	—	—	4,726
Dividend income from listed investments	(5,546)	—	—	—	—	—	(5,546)
Operating cash flows before movements in working capital	14,178	2,683	—	—	—	—	16,861
Increase in properties held for development for sale	(147,916)	—	—	—	—	—	(147,916)

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	Eminence Group for the year ended 31 March 2022						Unaudited pro forma total for the Post-Transaction Eminence Group
	Pro forma adjustments						
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	
Decrease in trade and other receivables	10,078	269	—	—	—	—	10,347
Decrease in loans receivable	11,071	—	—	—	—	—	11,071
Decrease in financial assets at fair value through profit or loss	16,134	—	—	—	—	—	16,134
(Decrease) increase in trade and other payables	(16,668)	34	—	—	—	—	(16,634)
Cash used in operations	(113,123)	2,986	—	—	—	—	(110,137)
Income tax paid	(3,437)	29	—	—	—	—	(3,408)
Dividend received from financial assets at fair value through profit or loss	5,546	—	—	—	—	—	5,546
Interest received from loans financing	2,094	—	—	—	—	—	2,094
Net cash used in operating activities	(108,920)	3,015	—	—	—	—	(105,905)
Investing activities							
Purchase of financial assets at fair value through profit or loss	(194,611)	—	—	—	—	—	(194,611)
Addition of debt instrument at amortised cost	(23,220)	—	—	—	—	—	(23,220)
Addition of intangible assets	(10,733)	—	—	—	—	—	(10,733)
Refunded received from disposal of subsidiaries	(10,000)	—	—	—	—	—	(10,000)
Addition of investment properties	(1,433)	—	—	—	—	—	(1,433)
Purchase of property, plant and equipment	(1,013)	—	—	—	—	—	(1,013)
Proceeds from disposal/maturity of financial assets at fair value through profit or loss	155,881	—	—	—	—	—	155,881
Proceeds from redemption of debt instruments at fair value through other comprehensive income	23,038	—	—	—	—	—	23,038
Proceeds from disposal of investment properties	19,517	—	—	—	—	—	19,517
Interest received	6,105	—	—	—	—	—	6,105
Proceeds from disposal of intangible assets	3,447	—	—	—	—	—	3,447
Proceeds from disposal of property, plant and equipment	931	—	—	—	—	—	931
Net cash outflow of the Acquisition	—	—	(130,916)	—	—	—	(130,916)
Net cash used in investing activities	(32,091)	—	(130,916)	—	—	—	(163,007)

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	Eminence Group for the year ended 31 March 2022					Unaudited pro forma total for the Post-Transaction Eminence Group	
	HK\$'000	HK\$'000	Pro forma adjustments			HK\$'000	HK\$'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
Financing activities							
Bank borrowings raised	980,556	—	—	—	—	126,000	1,106,556
Repayment of bank borrowings	(833,274)	(8,276)	—	—	8,276	—	(833,274)
Advance from (repayment to) Sale Loans	—	8,633	—	—	(8,633)	—	—
Interest paid	(34,226)	(3,217)	—	(10,450)	3,217	(1,663)	(46,339)
Repayment of lease liabilities	(2,472)	—	—	—	—	—	(2,472)
Net cash from financing activities	<u>110,584</u>	<u>(2,860)</u>	<u>—</u>	<u>(10,450)</u>	<u>2,860</u>	<u>124,337</u>	<u>224,471</u>
Net decrease in cash and cash equivalents	(30,427)	155	(130,916)	(10,450)	2,860	124,337	(44,441)
Cash and cash equivalents at the beginning of the year	112,260	—	—	—	—	—	112,260
Effect of foreign exchange rate changes	266	—	—	—	—	—	266
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u>82,099</u>	<u>155</u>	<u>(130,916)</u>	<u>(10,450)</u>	<u>2,860</u>	<u>124,337</u>	<u>68,085</u>

Notes to the unaudited pro forma consolidated statement of cash flows:

- The figures are extracted from the audited consolidated statement of cash flows of the Eminence Group for the year ended 31 March 2022 as set out in the annual report of the Eminence Group for the year ended 31 March 2022.

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2. The adjustment represents the acquisition of the Sale Companies, as if the Acquisition has taken place on 1 April 2021. The financial information of the Sale Companies is extracted from the audited statement of cash flows of the Sale Companies for the year ended 31 March 2022 as set out in the accountants' reports on the Sale Companies which is contained in Appendix IV to this joint circular. The figures are derived as follows:

	Company A	Company B	Company C	Company D	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities					
Profit (loss) before taxation	1,366	944	749	(9,165)	(6,106)
Adjustments for:					
Interest expense	462	395	361	971	2,189
(Gain) loss on changes in fair value of investment properties	(1,100)	(800)	(600)	9,100	6,600
Operating cash flows before movements in working capital	728	539	510	906	2,683
Decrease in trade and other receivables	84	17	90	78	269
Increase (decrease) in trade and other payables	5	1	45	(17)	34
Cash used in operations	817	557	645	967	2,986
Income tax refunded	2	—	3	24	29
Net cash generated from operating activities	819	557	648	991	3,015
Financing activities					
Repayment of bank borrowings	—	—	—	(8,276)	(8,276)
Interest paid	(854)	(726)	(666)	(971)	(3,217)
Advance from (repayment to) Sale Loans	189	(12)	233	8,223	8,633
Net cash used in financing activities	(665)	(738)	(433)	(1,024)	(2,860)
Net increase (decrease) in cash and cash equivalents	154	(181)	215	(33)	155
Cash and cash equivalents at the beginning of the year	331	380	145	45	901
Cash and cash equivalents at the end of the year, represented by bank balances and cash	485	199	360	12	1,056

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3. The adjustment represents (i) recognised the gain on changes in fair value of investment properties of approximately HK\$166,000 and (ii) net cash outflow of the Acquisition for cash consideration paid of HK\$131,000,000 net with payment of the estimated transaction costs directly attributable to the Acquisition of approximately HK\$817,000 and cash and cash equivalents of approximately HK\$901,000 acquired from the Sale Companies. Details are set out in Note 3 of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Post-Transaction Eminence Group.
4. The adjustment represents (i) the effective interest expense of approximately HK\$19,178,000 on the 2023 Convertible Note with the effective interest rate of the liability component of the 2023 Convertible Note is 12.77% per annum at the date of initial recognition and (ii) the 5% coupon interest paid of approximately HK\$10,450,000 during the year ended 31 March 2022.
5. The adjustment represents:
- (i) elimination of:
- “Interest expense” of approximately HK\$1,218,000,
 - “Advance from (repayment to) Sale Loans” of approximately HK\$8,633,000,
 - “Interest paid” of approximately HK\$2,246,000,
- related to the Sale Loans assigned to Eminence at the completion date; and
- (ii) reversal of:
- “Interest expense” of approximately HK\$971,000,
 - “Repayment of bank borrowings” of approximately HK\$8,276,000,
 - “Interest paid” of approximately HK\$971,000,
- related to the bank loans in Company D which assumed to be repaid at the completion date.
6. The adjustment represents that Eminence Group intends to finance from bank to repay the outstanding principal together with interest accrued owing to Hang Seng Bank Limited by Easyknit and Company D, being approximately HK\$126,000,000 in aggregate at 1 April 2021. The interest expenses on the new bank borrowings of approximately HK\$1,663,000 recognised in profit or loss which is assumed carry interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 1% per annum, with effective interest rate at 1.32% per annum.
7. All the adjustments have no continuing effect except for Notes 4 and 6 above.
8. No adjustments have been made to reflect any trading results or other transactions of the Easyknit Group entered into subsequent to 31 March 2022.

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**D. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of a report, prepared for the sole purpose of inclusion in this joint circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



21 January 2023

The Board of Directors
Eminence Enterprise Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Eminence Enterprise Limited (the “**Eminence**”) and its subsidiaries (hereinafter collectively referred to as the “**Eminence Group**”) by the directors of the Eminence for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2022 and related notes as set out on pages VI-2 to VI-14 of the circular jointly issued by Eminence and Easyknit International Holdings Limited (“**Easyknit**”) dated 21 January 2023. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages VI-1 to VI-2.

The pro forma financial information has been compiled by the directors to illustrate the impact of the acquisition of the entire issued share capital of each of the Sale Companies and the assignment of the Sale Loans to Eminence subject to the terms and conditions of the Sale and Purchase Agreements (the “**Acquisition**”) on the Eminence Group’s financial position as at 30 September 2022 and on the Eminence Group’s financial performance and cash flows for the year ended 31 March 2022 as if the Acquisition had been taken place at 30 September 2022 and 1 April 2021 respectively. As part of this process, information about the Eminence Group’s financial position has been extracted by the directors from the Eminence Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2022, on which no review report has been published; and information about the financial performance and cash flows has been extracted by the directors from the Eminence Group’s audited consolidated financial statements for the year ended 31 March 2022, on which an auditor’s report has been published.

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Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

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For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in circular jointly issued by Eminence and Easyknit is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Eminence Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2022 and 1 April 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Eminence Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Eminence Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EASYKNIT GROUP

Set out below is the management discussion and analysis of the Easyknit Group's business and performance for the six months ended 30 September 2022 (“**IR2022**”) and each of the financial years ended 31 March 2022 (“**FY2022**”), 2021 (“**FY2021**”) and 2020 (“**FY2020**”), respectively. The financial data in respect of the Easyknit Group, for the purpose of this joint circular, is derived from the unaudited consolidated financial statements of the Easyknit Group for the IR2022 and the audited consolidated financial statements of the Easyknit Group for each of the financial years FY2022, FY2021 and FY2020, respectively.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

OVERVIEW

The Group was principally engaged in property development, property investment, investment in securities and others and loan financing businesses which property development and property investment are the core businesses of the Group.

FINANCIAL RESULTS

For the Period, the Group's revenue amounted to approximately HK\$50,871,000, representing a decrease of approximately HK\$122,254,000 or approximately 70.6% as compared to an amount of approximately HK\$173,125,000 for the six months ended 30 September 2021 (the “**2021 Period**”).

The loss for the Period attributable to the Company's owners was approximately HK\$25,103,000 (2021 Period: profit of approximately HK\$998,734,000). The gross profit margin for the Period was approximately 82.8%, compared to the 2021 Period of approximately 52.8%, there was an increase of approximately 30.0%.

The basic and diluted loss per share amounted to HK\$0.34 for the Period, as compared with earnings per share of HK\$12.18 for the same period last year.

BUSINESS REVIEW

The review of each business segment of the Group is set out below.

Property Development

Revenue recognised in this business segment during the Period amounted to approximately HK\$8,390,000 (2021 Period: HK\$119,644,000). Review on existing major projects of the Group is set out below:

Project Waterloo Road

The Group, through its wholly-owned subsidiary, owns the site located at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong which has a site area of approximately 9,800 square feet (the “**Waterloo Project**”).

The Waterloo Project is being redeveloped into a luxurious residential accommodation with club house facilities and car parks, and the estimated gross floor area is approximately 48,965 square feet. This project will offer total of 56 units comprises diversified unit layouts including studio flats to 4-bedroom flats and special unit flats. This project is expected to be launched sales in the first quarter of 2023.

Project Chatham Road North

The Group, through its wholly-owned subsidiary, owns the site located at Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong with a total site area of approximately 4,653 square feet (“**Chatham Road North Project**”).

The Chatham Road North Project will be redeveloped into a composite building with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 41,827 square feet. The foundation works are currently undergoing at the site. This project is expected to be completed in late 2024.

Inverness Road Property — “Ayton”

“Ayton” is a completed residential project located at Nos. 14–20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong developed and wholly-owned by the Group. It consists of two 8-storey residential blocks comprising 60 residential units, 29 car parking spaces and 3 motor parking spaces. The total saleable area of approximately 40,742 square feet. The Group has launched its first phase of the sale of “Ayton” in May 2020.

As at the date of this report, 33 units and 2 carparks released were sold and the aggregate contracted sales amounted to approximately HK\$532,285,000. During the Period, 1 unit among the transactions have been completed (2021 Period: 5 units and 2 carparks) and a revenue of approximately HK\$8,390,000 (2021 Period: HK\$119,644,000) has been recorded for sale of properties.

Property Investment

As at 30 September 2022, the Group’s portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong, Singapore and the People’s Republic of China (the “PRC”).

During the Period, the gross rental and building management income of the Group was approximately HK\$35,500,000 (2021 Period: approximately HK\$42,560,000), representing an approximately 16.6% decrease over the 2021 Period. The decrease in rental and building management income was primarily attributable to certain properties held for development were demolished for redevelopment as well as decrease in market rent.

As at 30 September 2022, the occupancy rate of residential units, commercial units and industrial units of the Group’s investment properties were 100%, 99.2% and 90.7% (2021 Period: 100%, 99.2% and 99.4%) respectively. A gain on changes in fair value of investment properties of approximately HK\$80,392,000 (2021 Period: approximately HK\$38,378,000) was recognised during the Period. The segment reported a gain of approximately HK\$87,420,000 for the Period (2021 Period: approximately HK\$73,647,000), representing an increase of approximately HK\$13,773,000 compared to the 2021 Period.

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Investment in securities and others

The Group invested in a diversified portfolio of investments including listed and unlisted equity securities, equity-linked notes, bonds and other investment products based on (i) potential return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 30 September 2022, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$233,987,000 (31 March 2022: approximately HK\$405,674,000). There were no investments held by the Group of which value was more than 5% of the total assets of the Group. The Group recorded a loss in the securities investment segment of approximately HK\$66,829,000 during the Period (2021 Period: loss of approximately HK\$63,116,000).

As at 30 September 2022, details of the Group's financial assets are set out as follows:

Nature of investments	Number of shares held	As at 30 September 2022		Approximate percentage to Group's total assets	For the Period		
		Investment Cost	Fair value		Dividend/ Interest income	Fair value gain/(loss)	Realised gain/(loss)
		HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000
Equity Investments							
Best Food Holding Company Limited (stock code: 1488)	95,830,000	85,991	62,423	0.7%	—	(16,798)	—
Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318)	858,460	66,143	33,652	0.4%	1,389	(14,715)	—
Others	N/A	105,463	76,068	0.8%	8,350	(12,142)	(23,723)
Investment in limited partnership		19,515	27,132	0.3%	—	(128)	—
Others	N/A	27,442	34,712	0.4%	—	348	—
Total:		304,554	233,987	2.6%	9,739	(43,435)	(23,723)

Loan Financing

The loan financing business of the Group is operated by Planetic International Limited (“**Planetic**”, a wholly-owned subsidiary of the Company) and City China International Limited (“**City China**”, a wholly-owned subsidiary of Eminence Enterprise Limited (“**Eminence**”, Stock

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Code: 616), a non-wholly owned subsidiary of the Company), which are both a licensed money lender carrying on business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). For the Period, the Group recorded an interest income from the loan financing business amounted to approximately HK\$6,981,000 (2021 Period: approximately HK\$10,921,000), representing approximately 13.7% of the total revenue of the Group. The decrease in interest income was primarily due to certain borrowers had repaid their principal of borrowings. Profit derived from loan financing business was approximately HK\$8,310,000 for the Period (2021 Period: approximately HK\$1,127,000).

The target customer groups of the business are individuals and corporate entities that have short-term funding needs and could provide sufficient collaterals for their borrowings. The Group's clientele is primarily acquired through business referrals and introductions from the Company's directors, senior management, business partners or clients.

As at 30 September 2022, the gross carrying amount of loans receivable amounting to HK\$312,254,000 (31 March 2022: HK\$345,332,000) of which 40% (31 March 2022: 45%) were secured by marketable securities with fair values of HK\$27,060,000 (31 March 2022: HK\$36,900,000) or properties with fair values of HK\$294,985,000 (31 March 2022: HK\$251,707,000) or nil guaranteed money (31 March 2022: HK\$10,000,000). The Group is not permitted to sell or repledge the collaterals, if any, in the absence of default by the borrowers. In addition, the gross carrying amount of unsecured loan receivable amounting to HK\$77,651,000 (31 March 2022: HK\$60,158,000) are with personal guarantee. The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for approximately 15% (31 March 2022: 20%) and 48% (31 March 2022: 56%) respectively of the Group's loans receivable at 30 September 2022.

During the Period, the range of interest rate on the Group's fixed-rate loans receivable was 2.5% to 16% (2021 Period: 2.3% to 16%) per annum and the range of interest rate on the Group's variable-rate loans receivable was prime rate less 1% to prime rate (2021 Period: prime rate less 1% to prime rate) per annum. The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including due diligence, credit appraisal, proper execution of documentations, continuous monitoring and collection and recovery. The due diligence procedures included conducting research on the borrowers' background, evaluating its current business operations and financial conditions, market reputation and creditability, and conducting financial analysis and recoverability analysis. To minimise credit or investment risks, the Group will typically require guarantees, including collaterals with expected realised value exceeding the loan or investment amount, post-dated cheques, and/or personal guarantees and corporate guarantees.

The Group generally provides short-term loans. For the new and renewal loans during the Period, 83% was with a term within 1 year, and 17% was more than 1 year but not more than 2 years. The repayment terms and conditions are determined from the factors including the liquidity needs of the borrowers, the Group's funding and cash flows management strategies, and the terms and rates of the prevailing market.

After drawdown of loan, the loan agreement will be filed with the loan documents properly. The Group maintains regular contact with the borrowers and carries out periodical review to assess the recovery of the loan based on the business development, financial status, repayment ability including such as recent settlement record and any litigations and bankruptcy orders against borrowers. The Group will take all necessary legal actions against the relevant clients to follow up the settlement of the outstanding loans.

The Group performs impairment assessment under expected credit loss ("ECL") model on loans receivable which are subject to impairment assessment under Hong Kong Financial Reporting Standards 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. In particular, the following information is being considered when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the loans receivable's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environments of the borrower that results in a significant decrease in the borrower's ability to meet its debt obligations.

At 30 September 2022, the reversal of impairment loss allowance recognised in profit or loss amounted to approximately HK\$3,326,000 (2021 Period: impairment loss approximately HK\$3,736,000) in its loan financing business.

Below was the discloseable transaction of the Group on loan financing business during the Period:

Extension of financial assistance to Supreme Sino

On 13 September 2021, Planetic as lender entered into a loan agreement with Supreme Sino Holdings Limited (“**Supreme Sino**”) as borrower (a company incorporated in Hong Kong with limited liability), pursuant to which Planetic had agreed to provide a loan in a principal amount of HK\$8,500,000 to Supreme Sino for a term of 3 months at an interest rate of 3% per annum (the “**SS Loan I**”).

On 12 November 2021, Planetic entered into another loan agreement with Supreme Sino, pursuant to which Planetic had agreed to provide a loan in an aggregate principal amount of HK\$50,000,000 to Supreme Sino (comprising the principal and accrued interest of SS Loan I) for a term of 6 months at an interest rate of 9% per annum (the “**SS Loan II**”). The SS Loan II is secured by a share charge over the then entire issued share capital of Supreme Sino, a first legal charge over all the title, rights and interest in commercial properties located in Mongkok, Kowloon, Hong Kong (with the then market value of approximately HK\$91,000,000) owned by Supreme Sino and a personal guarantee by the sole director and the sole shareholder of the wholly-owned beneficial owner of Supreme Sino. On 11 May 2022, the parties entered into a supplemental loan agreement to extend the repayment date of the SS Loan II to 29 December 2022 at the same interest rate.

The provision and the extension of the SS Loan II constitute discloseable transactions under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the Company, details of which were set out in the announcements of the Company dated 12 November 2021 and 11 May 2022 respectively.

LISTED SUBSIDIARY

Eminence, the major listed subsidiary of the Company, and its subsidiaries (collectively the “**Eminence Group**”) was engaged in property development, property investment comprising the ownership and rental of investment properties, investment in securities and others and loan financing businesses.

Investment in Eminence Shares

As at 1 April 2022, the Group, through Ace Winner Investment Limited, Landmark Profits Limited and Goodco Development Limited (“**Goodco**”) (all of which were wholly-owned subsidiaries of the Company), held an aggregate of 696,370,840 shares of Eminence, representing approximately 74.76% of the then total issued share capital of Eminence.

(a) Eminence Placing completed in April 2022

On 20 April 2022, Eminence completed a placing of a total of 186,280,000 Eminence shares at the placing price of HK\$0.10 per placing share to not less than six allottees who and whose beneficial owners are independent third parties (the “**Eminence Placing I**”). For more details, please refer to the announcements of Eminence dated 30 March 2022 and 20 April 2022 respectively.

Immediately upon the completion of the Eminence Placing I, the shareholding percentage of the Group in Eminence was decreased from 74.76% to 62.30%.

(b) Adjustment of conversion price and exercise of Eminence Convertible Notes

As at 1 April 2022, the total outstanding principal amount of convertible notes held by Goodco is HK\$97,280,000 which entitles Goodco to convert into a total of 389,120,000 Eminence shares, details as follows:

Issue date	Outstanding principal amount <i>HK\$</i>	Number of Shares	Conversion price <i>HK\$</i>	Annual Interest	Maturity Date
2017.05.11	16,000,000	64,000,000	0.25	4%	2024.08.28
2017.09.26	11,280,000	45,120,000	0.25	4%	2024.08.28
2019.08.28 (“ 2019 CN ”)	70,000,000	280,000,000	0.25	4%	2024.08.28
Total	<u>97,280,000</u>	<u>389,120,000</u>			

Following the completion of Eminence Placing I, Eminence has issued shares for cash at a price which is less than 95% of its current market price. Pursuant to the terms and conditions of the 2019 CN, the conversion price of 2019 CN has been adjusted from HK\$0.25 to HK\$0.24 per Eminence share and the total number of Eminence shares would be allotted and issued upon full conversion of the 2019 CN increased from 280,000,000 Eminence shares to 291,666,666 Eminence shares.

Goodco fully exercised the conversion rights under the aforesaid Eminence convertible notes which was completed on 25 July 2022. Immediately upon the completion of the conversion of the Eminence convertible notes, the Group held an aggregate of 1,097,157,506 shares of Eminence, representing approximately 72.25% of the total issued share capital of Eminence.

As at 30 September 2022, the Group did not hold any convertible notes of Eminence.

(c) Eminence Placing completed in September 2022

On 26 September 2022, Eminence completed a placing of a total of 607,400,000 Eminence shares at the placing price of HK\$0.068 per placing share to not less than six allottees who and whose beneficial owners are independent third parties (the “**Eminence Placing II**”). For more details, please refer to the announcements of Eminence dated 27 July 2022, 16 August 2022, 26 September 2022 and the circular dated 23 August 2022 respectively.

Immediately upon completion of the Eminence Placing II, the shareholding percentage of the Group in Eminence was decreased from 72.25% to 51.60%. Eminence remains as a subsidiary of the Company.

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Performance of Eminence Group during the Period

The financial results of Eminence Group during the Period are highlighted as below:

	For the six months ended		Change
	2022	2021	
	(Unaudited)	(Unaudited)	
Revenue			
Property investment (<i>HK\$'000</i>)	24,487	31,268	(21.7)%
Loan financing (<i>HK\$'000</i>)	1,899	5,168	(63.3)%
Total revenue (<i>HK\$'000</i>)	26,386	36,436	(27.6)%
Gross profit (<i>HK\$'000</i>)	24,949	34,913	(28.5)%
Profit attributable to owners of			
Eminence (<i>HK\$'000</i>)	63,412	81,785	(22.5)%
Earnings per share (<i>HK cents</i>)			
— Basic	5.02	8.78	(42.8)%
— Diluted	4.47	6.66	(32.9)%

As at 30 September 2022 and the date of this report, the development land portfolio held by Eminence Group as below:

Location	Intended Usage	Approximate site area (square feet)	Anticipated year of completion
Nos. 646, 648, 648A Castle Peak Road, Kowloon, Hong Kong	Industrial	9,206	2025
No. 121 King Lam Street, Kowloon, Hong Kong	Industrial	5,483	2023
Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong	Commercial	2,857	2023
Nos. 1B–1E Davis Street and Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong	Residential	7,122	2025

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As at 30 September 2022, Eminence Group's portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong, the PRC and Singapore. During the Period, Eminence Group recorded rental and management fee income of approximately HK\$24,487,000 (2021 Period: approximately HK\$31,268,000) and fair value gain of approximately HK\$69,192,000 arising from change in fair value of investment properties.

For more detailed business and financial performance of Eminence Group, please refer to its interim report for the six months ended 30 September 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flow and bank borrowings. As at 30 September 2022, the Group's bank borrowings amounted to approximately HK\$3,612,020,000 (31 March 2022: approximately HK\$3,562,704,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the Period was approximately 0.73 (31 March 2022: approximately 0.72).

As at 30 September 2022, the Group has net current assets of approximately HK\$4,307,244,000 (31 March 2022: approximately HK\$4,491,434,000). Current ratio was approximately 3.4 (31 March 2022: approximately 3.8). The bank balances and cash as at 30 September 2022 was approximately HK\$261,040,000 (31 March 2022: approximately HK\$184,425,000), representing an increase of approximately 41.5% or approximately HK\$76,615,000 compared to 31 March 2022.

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The maturity profile of the Group's secured bank borrowings is set out below:

	30 September 2022	31 March 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):		
— within a period not exceeding one year	1,444,577	1,206,455
— within a period of more than one year but not exceeding two years	879,875	888,846
— within a period of more than two years but not exceeding five years	1,067,935	1,237,338
— within a period of more than five years	219,633	230,065
	<u>3,612,020</u>	<u>3,562,704</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(1,444,577)</u>	<u>(1,206,455)</u>
Amount due after one year shown under non-current liabilities	<u>2,167,443</u>	<u>2,356,249</u>

The Group's secured bank borrowings carry interest at HIBOR plus 1.0% to HIBOR plus 1.825%, LIBOR plus 0.8% to LIBOR plus 1.0% (31 March 2022: HIBOR plus 1.0% to HIBOR plus 1.825%, LIBOR plus 0.8% to LIBOR plus 1.0%) per annum, with effective interest ranging from 3.06% to 5.01% (31 March 2022: 1.24% to 2.11%) per annum.

CHARGES OF ASSETS

As at 30 September 2022, bank loans of the Group in the aggregate amount of approximately HK\$3,612,020,000 (31 March 2022: approximately HK\$3,562,704,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policies, listed equity securities in Hong Kong, perpetual bonds and debt instruments at fair value through other comprehensive income of the Group having a net book value of approximately HK\$7,574,569,000 (31 March 2022: approximately HK\$7,464,811,000). In addition, a credit facility granted by a bank for a property development project in Hong Kong was secured by pledge of 300,000,000 Eminence shares with fair value of HK\$24,300,000 (31 March 2022: HK\$37,200,000) held by a subsidiary of the Group.

TREASURY POLICY

The Group diversifies its source of funds including internal generated cash flow and interest-bearing bank borrowings during the Period to generate source of funds for its business operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

Most of the Group's revenues, payments and bank borrowings are denominated in Hong Kong dollars, United States dollars, Singapore dollars and Renminbi. During the Period, the Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The Directors considered the risk of exposure to the currency fluctuation to be minimal.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any significant contingent liabilities (31 March 2022: nil).

CAPITAL EXPENDITURE

For the Period, the Group invested approximately HK\$574,000 (2021 Period: approximately HK\$986,000) on the acquisition of property, plant and equipment, and not invested on additions of investment properties (2021 Period: HK\$1,432,000).

CAPITAL COMMITMENTS

As at 30 September 2022, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$19,635,000 (31 March 2022: HK\$20,339,000).

EMPLOYEES

As at 30 September 2022, the Group had 91 employees (30 September 2021: 93). Staff costs (including Directors' emoluments) amounted to approximately HK\$31,592,000 for the Period (2021 Period: approximately HK\$25,576,000). The Group remunerates its employees based on individual performance, experience and prevailing industry practice. The Group provides a defined

contribution to Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all eligible employees of the Group in Hong Kong.

EVENTS AFTER REPORTING PERIOD

Land Resumption in the PRC by subsidiary of Eminence

On 5 October 2022, a land resumption agreement was entered into between the People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC and a wholly-owned subsidiary of Eminence which is a non-wholly owned subsidiary of the Company, pursuant to which, among other things, the Huzhou Government shall resume, and the Eminence subsidiary shall surrender, an industrial complex in Huzhou City, Zhejiang Province, the PRC with the compensation amount of RMB386,982,000 (equivalent to approximately HK\$441,159,000). An exemption has been granted by the Stock Exchange that the entering into the land resumption agreement does not constitute a transaction for the Company and Eminence, details of which were set out in the announcement jointly published by the Company and Eminence dated 5 October 2022.

Disposal of property in Singapore by subsidiary of Eminence

On 4 November 2022, the purchasers, independent third parties, accepted and exercised the option granted by the vendor which is a wholly-owned subsidiary of Eminence and a non-wholly owned subsidiary of the Company, to purchase a property in Singapore at S\$12,500,000 (equivalently to approximately HK\$68,750,000). The disposal constitutes a discloseable transaction for the Company and a major transaction for Eminence under the Listing Rules, details of which were set out in the announcement jointly published by the Company and Eminence dated 4 November 2022 and the circular of Eminence dated 25 November 2022.

PROSPECTS

The continued uncertainty over the Pandemic, together with the spread of inflationary pressure around the world and the adjustment to the Hong Kong base rate in response to the US Federal Reserve interest rate hike, overall residential prices in Hong Kong recorded a decline. The mortgage loans approved in the second half year of 2022 dropped and those financing secondary-market transactions plummeted over 30%. Despite this, the residential prices still stood at the historical high. With the Pandemic situation under control and the leadership of the new government, the sentiment in property market is expected to reverse in 2023.

Affected by rising interest rates and the increasing number of new flats in the market, residential home prices have come under increased downward pressure. Under the rolled out targeted measures taken by the Hong Kong Government to boost domestic consumption, we have seen some sequential improvement in overall Hong Kong economy since the second quarter in 2022. Total employment and the labour force participation rate have also picked up since June 2022, pressure on the labour market are likely to ease further alongside a pick-up in local economic activities. As the fifth wave of the local epidemic receded, the transaction volume in the housing market picked up in the second quarter in 2022 on pent-up demand. The primary residential market is expected to remain robust, due to resilient local demand. Ongoing concerns regarding Covid-19 undoubtedly prompt a degree of hesitancy about market conditions in Hong Kong, the Group remains cautiously optimistic to its residential property development project, Waterloo Project, which is expected to launch sales in the first quarter of 2023.

As Hong Kong's pandemic situation stabilizes, the economic sentiment is recovering. The positive business outlook will see leasing demand strengthen in the retail and industrial property sectors and result in moderate rental and capital value growth with rents poised to stabilize in the remaining of 2022 and onward after a sharp decline from 2019 to 2021. The Group will continue to monitor the market changes closely whilst keep looking for opportunity in property acquisition to strengthen the real estate business.

Looking ahead, the Group is confident in its business development. The Group will continue to monitor the market changes closely and focusing its efforts in the development of its existing principal businesses while exploring other opportunities with a view to providing steady and favourable returns for its shareholders and strengthen every segment of its business.

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FOR THE YEAR ENDED 31 MARCH 2022

OVERVIEW

The Group was principally engaged in property development, property investment, investment in securities and others and loan financing businesses which property development and property investment are the core businesses of the Group.

During the Year, the Group had further acquired the shares of Eminence, details of which are set out in the section headed “Listed Subsidiary” in this annual report. As at 31 March 2022, the Group held an aggregate of 696,370,840 shares in Eminence, representing approximately 74.76% of the total issued share capital of Eminence. Eminence has been accounted for and consolidated in the consolidated financial statements of the Company for the Year as a subsidiary of the Company.

FINANCIAL RESULTS

For the Year, the Group’s revenue amounted to approximately HK\$350,784,000 (2021: approximately HK\$323,382,000), representing an increase of approximately HK\$27,402,000 or approximately 8.5% as compared to the year ended 31 March 2021 (the “**Previous Year**”).

Profit for the Year was approximately HK\$1,009,500,000 (2021: approximately HK\$21,929,000), representing a significant increase of 4,503.5% over the Previous Year.

The profit for the Year attributable to the Company’s owners was approximately HK\$979,437,000 (2021: approximately HK\$22,308,000). The gross profit margin for the Year was approximately 49.9%, compared to the Previous Year of approximately 30.9%, there was an increase of approximately 19.0%.

The basic and diluted earnings per share amounted to HK\$12.46 for the Year, as compared with HK\$0.25 for the Previous Year.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2021: nil).

BUSINESS REVIEW

The review of each business segment of the Group is set out below.

Property Development

Revenue recognised in this business segment during the Year amounted to approximately HK\$248,576,000 (2021: HK\$275,319,000). Review on existing major projects of the Group is set out below:

Project Waterloo Road

The Group, through its wholly-owned subsidiary, owns the site located at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong which has a site area of approximately 9,800 square feet (the “**Waterloo Site**”).

The Waterloo Site is being redeveloped into a luxurious residential accommodation with club house facilities and car parks, and the estimated gross floor area is approximately 48,965 square feet. The construction of the superstructure works are undergoing and this project is expected to be completed and to launch sales in late 2022.

Project Chatham Road North

The Company, through its wholly-owned subsidiary, acquired properties located at Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North Building**”) in May 2018 which constituted over 80% of the undivided shares in the Chatham Road North Building. The total site area of this project is approximately 4,653 square feet. On 29 November 2018, the Company filed an application to the Lands Tribunal pursuant to the LCSRO for an order for sale all the undivided shares of Chatham Road North Building (including those owned by the Group, as required by the LCSRO) for the purposes of redevelopment, with the intention to bid in the public auction and acquiring the remaining units held by the registered owner (units not owned by the Group), representing approximately 11.31% of the undivided shares of the Chatham Road North Building.

The Company has successfully won the bid in respect of the Chatham Road North Building at the public auction held on 1 June 2021. Details were set out in the announcement issued by the Company dated 1 June 2021. Upon completion of the acquisition, the Chatham Road North Building was then 100% owned by the Group and will be redeveloped into a composite building

with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 41,827 square feet. The foundation works are currently undergoing at the site. This project is expected to be completed in 2025.

More details of the project of the Chatham Road North Building were set out in the announcements of the Company dated 16 May 2018, 8 June 2018, 30 November 2018 and 11 September 2020 and the circulars of the Company dated 25 June 2018 and 23 October 2020.

Inverness Road Property — “Ayton”

“Ayton” is a residential project located at Nos. 14–20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong developed and wholly-owned by the Group. It consists of two 8-storey residential blocks comprising 60 residential units, 29 car parking spaces and 3 motor parking spaces. The total saleable area of approximately 40,742 square feet. The Group has launched its first phase of the sale of “Ayton” in May 2020. As at the date of this annual report, 33 units and 2 carparks released were sold and the aggregate contracted sales amounted to approximately HK\$532,285,000. During the Year, 9 units and 2 carparks among the transactions have been completed (2021: 23 units) and a revenue of approximately HK\$248,576,000 (2021: HK\$275,319,000) has been recorded for sale of properties.

Property Investment

As at 31 March 2022, the Group’s portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong, Singapore and the People’s Republic of China (the “PRC”).

During the Year, the gross rental income of the Group was approximately HK\$65,283,000 (2021: approximately HK\$32,815,000), representing an approximately 98.9% increase over the Previous Year. The increase in rental income was primarily attributable to the property investment business with controlling stake.

As at 31 March 2022, the occupancy rate of residential units, commercial units and industrial units of the Group’s investment properties were 100.0%, 99.2% and 97.6% (2021: nil, 99.1% and 77.2%) respectively. A gain on changes in fair value of investment properties of approximately HK\$37,064,000 (2021: loss of approximately HK\$85,640,000) was recognised during the Year. The segment reported a gain of approximately HK\$85,582,000 for the Year (2021: loss of approximately HK\$71,954,000), representing an increase of approximately HK\$157,536,000 compared to the Previous Year.

Investment in securities and others

The Group invested in a diversified portfolio of investments including listed and unlisted equity securities, equity-linked notes, bonds and other investment products based on (i) potential return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2022, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$405,674,000 (2021: approximately HK\$360,322,000). There were no investments held by the Group of which value was more than 5% of the total assets of the Group. The Group recorded a loss in the investment in securities and others segment of approximately HK\$73,863,000 during the Year (2021: gain of approximately HK\$153,865,000).

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EASYKNIT GROUP

As at 31 March 2022, details of the Group's financial assets are set out as follows:

Nature of investments	Notes	As at 31 March 2022			For the Year			
		Number of shares held	Investment Cost HK\$'000	Investment Fair value HK\$'000	Approximate percentage to Group's total assets	Dividend/ Interest income HK\$'000	Fair value gain/(loss) HK\$'000	Realised gain/(loss) HK\$'000
Equity Investments								
Industrial and Commercial Bank of China Limited (stock code: 1398)								
	(i)	14,809,684	69,806	71,235	0.8%	2,232	(2,327)	—
Best Food Holding Company Limited (stock code: 1488)								
		82,526,000	74,718	67,672	0.8%	—	12,374	—
Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318)								
	(ii)	858,460	66,143	47,773	0.5%	812	(18,370)	—
China Construction Bank Corporation (stock code: 939)								
		6,853,370	38,997	40,366	0.4%	2,052	(3,344)	—
Others								
		N/A	64,356	59,987	0.7%	3,480	(21,678)	(1,881)
Equity-Linked Notes								
		N/A	28,000	27,570	0.3%	—	(1,700)	(1,156)
Promissory Notes								
	(iii)	N/A	23,340	23,340	0.3%	—	—	—
Bonds								
		N/A	34,928	4,883	0.1%	—	(2,537)	(197)
Others								
		N/A	87,297	62,848	0.6%	919	2,911	—
Total:			<u>487,585</u>	<u>405,674</u>	<u>4.5%</u>	<u>9,495</u>	<u>(34,671)</u>	<u>(3,234)</u>

Notes:

- (i) 7,030,784 shares were taken according to the terms of related equity-linked notes acquired during the Year. Details of which were set out in the announcement of the Company dated 19 January 2022.
- (ii) 383,460 shares were taken according to the terms of related equity-linked notes acquired during the Year. Details of which were set out in the announcement of the Company dated 25 November 2021.
- (iii) On 25 May 2021, Gainever Corporation Limited (a wholly-owned subsidiary of Eminence, a non-wholly owned subsidiary of the Company) subscribed and acquired an 8.0% Tranche B promissory notes (non-redeemable and non-transferable) due on 25 September 2025 issued by Lion Best Global Limited in the aggregate principal amount of US\$150,000,000 (equivalent to approximately HK\$1,162,500,000) for a total consideration of US\$3,000,000 (equivalent to approximately HK\$23,300,000). The proceeds of which shall be used exclusively for the subscription to preferred shares in a target company, which will in turn invest the proceeds in real estate project relating to the Xinyi A7 area/Taipei Sky Tower in Taiwan. Details of which were set out in the announcements of the Company dated 25 May 2021 and 2 June 2021.

Loan Financing

The loan financing business of the Group is operated by Planetic International Limited (“**Planetic**”, a wholly-owned subsidiary of the Company) and City China International Limited (“**City China**”, a wholly-owned subsidiary of Eminence, a non-wholly owned subsidiary of the Company), which are both a licensed money lender carrying on business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). For the Year, the Group recorded an interest income from the loan financing business amounted to approximately HK\$17,262,000 (2021: approximately HK\$13,726,000), representing approximately 4.9% of the total revenue of the Group. The increase in interest income was primarily due to the controlling stake in City China which resulted in the increase in loan financing business. Profit derived from loan financing business was approximately HK\$10,058,000 for the Year (2021: loss of approximately HK\$38,352,000).

The target customer groups of the business are individuals and corporate entities that have short-term funding needs and could provide sufficient collaterals for their borrowings. The Group’s clientele is primarily acquired through business referrals and introductions from the Company’s directors, senior management, business partners or clients.

As at 31 March 2022, the gross carrying amount of loans receivable amounting to HK\$345,332,000 (2021: HK\$223,793,000) of which 45% (2021: 25%) were secured by marketable securities with fair values of HK\$36,900,000 (2021: HK\$31,980,000) or properties with fair values of HK\$251,707,000 (2021: HK\$24,451,000) or guaranteed money of HK\$10,000,000 (2021: nil). The Group is not permitted to sell or repledge the collaterals, if any, in the absence of default by the borrowers. In addition, the gross carrying amount of unsecured loan receivable amounting to HK\$60,158,000 (2021: HK\$59,600,000) are with personal guarantee. The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for approximately 20% (2021: 25%) and 56% (2021: 68%) respectively of the Group’s loans receivable at 31 March 2022.

During the Year, the range of interest rate on the Group’s fixed-rate loans receivable was 2.3% to 16% (2021: 2.3% to 16%) per annum and the range of interest rate on the Group’s variable-rate loans receivable was prime rate less 1% to prime rate (2021: prime rate less 1% to prime rate) per annum.

The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including due diligence, credit appraisal, proper execution of documentations, continuous monitoring and collection and recovery. The due diligence procedures included conducting research on the borrowers’ background, evaluating its current business

operations and financial conditions, market reputation and creditability, and conducting financial analysis and recoverability analysis. To minimise credit or investment risks, the Group will typically require guarantees, including collaterals with expected realised value exceeding the loan or investment amount, post-dated cheques, and/or personal guarantees and corporate guarantees.

The Group generally provides short-term loans. For the new and renewal loans during the Year, 69% was with a term within 1 year, and 31% was more than 1 year but not more than 2 years. The repayment terms and conditions are determined from the factors including the liquidity needs of the borrowers, the Group's funding and cash flows management strategies, and the terms and rates of the prevailing market.

After drawdown of loan, the loan agreement will be filed with the loan documents properly. The Group maintains regular contact with the borrowers and carries out periodical review to assess the recovery of the loan based on the business development, financial status, repayment ability including such as recent settlement record and any litigations and bankruptcy orders against borrowers. The Group will take all necessary legal actions against the relevant clients to follow up the settlement of the outstanding loans.

The Group performs impairment assessment under expected credit loss ("ECL") model on loans receivable which are subject to impairment assessment under HKFRS 9 issued by Hong Kong Institute of Certified Public Accountants. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. In particular, the following information is being considered when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the loans receivable's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environments of the borrower that results in a significant decrease in the borrower's ability to meet its debt obligations.

At 31 March 2022, the net impairment allowance recognised in profit or loss amounted to approximately HK\$27,224,000 (2021: approximately HK\$47,791,000) in its loan financing business.

Included in the gross amount of loans receivable are HK\$86,702,000 (2021: HK\$72,700,000), net of accumulated impairment allowances of HK\$70,702,000 (2021: HK\$50,144,000) due from a group of borrowers including a borrower (the “**Borrower**”) with gross amount of HK\$32,397,000 (2021: HK\$13,100,000) and other individuals (with personal guarantee from that Borrower) with gross amount of HK\$54,305,000 (2021: HK\$59,600,000). During the Previous Year, the management assessed, taking into account the relevant information from public domain, such balances became credit-impaired and has taken various actions to recover the balances. Upon acquisition of Eminence, the gross amount of loans receivable of the Group increased by HK\$47,476,000. The management has requested the borrowers to make settlement of the loans and total settlements of HK\$49,474,000 were received from the borrowers by way of cash or properties during the Year. No allowance of impairment was made for a new loan receivable due from the Borrower of HK\$16,000,000 since the value of pledged asset is higher than the value of amount borrowed. For the remaining balances, an additional impairment loss of HK\$20,558,000 was recognised in current year for the purpose to fully impair the remaining balances.

Below were the discloseable transactions of the Group on loan financing business during the Year:

Provision of financial assistance to Supreme Sino

On 13 September 2021, Planetic as lender entered into a loan agreement with Supreme Sino Holdings Limited (“**Supreme Sino**”) as borrower (a company incorporated in Hong Kong with limited liability), pursuant to which Planetic had agreed to provide a loan in a principal amount of HK\$8,500,000 to Supreme Sino for a term of 3 months at an interest rate of 3% per annum (the “**SS Loan I**”).

On 12 November 2021, Planetic entered into another loan agreement with Supreme Sino, pursuant to which Planetic had agreed to provide a loan in an aggregate principal amount of HK\$50,000,000 to Supreme Sino (comprising the principal and accrued interest of SS Loan I) for a term of 6 months at an interest rate of 9% per annum (the “**SS Loan II**”). The SS Loan II is secured by a share charge over the then entire issued share capital of Supreme Sino, a first legal charge over all the title, rights and interest in commercial properties located in Mongkok, Kowloon, Hong Kong (with the then market value of approximately HK\$91,000,000) owned by Supreme Sino and a personal guarantee by the sole director and the sole shareholder of the wholly-owned beneficial owner of Supreme Sino. The provision of SS Loan II constitutes a

discloseable transaction under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the Company, details of which were set out in the announcement of the Company dated 12 November 2021.

Deed of settlement in relation to debt owed to subsidiary of Eminence

City China and Shui Kam Enterprises Limited (“**Shui Kam**”) entered into two loan agreements dated 13 November 2017 and 16 October 2018 respectively (as varied or supplemented by supplemental agreements dated 8 November 2019 and 2 November 2020 respectively) (the “**SK Loan Agreements**”) under which Shui Kam is indebted to City China for HK\$9,120,000 (including principal and outstanding interest) as at 4 March 2022. Shui Kam is in default of its obligations under the SK Loan Agreements.

On 4 March 2022, City China and Shui Kam entered into a deed of settlement, pursuant to which, City China would release Shui Kam from its obligations under the SK Loan Agreements and in return Shui Kam shall transfer a property situated in Yuen Long, Hong Kong (with the then valuation of HK\$40,000,000) to a wholly-owned subsidiary of Eminence, and City China will assign to Shui Kam three outstanding debts owing by three borrowers in total amount of HK\$30,714,292.14. The transaction under the deed of settlement constitutes discloseable transaction for the Company and a major transaction for Eminence under the Listing Rules, details of which were set out in the announcement jointly published by the Company and Eminence dated 4 March 2022 and the circular of Eminence dated 25 March 2022.

LISTED SUBSIDIARY

Eminence, the major listed subsidiary of the Company, and its subsidiaries was engaged in property development, property investment, comprising the ownership and rental of investment properties, investment in securities and others and loan financing businesses.

Investment in Eminence Shares

As at 1 April 2021, the Group, through Ace Winner Investment Limited (“**Ace Winner**”), Landmark Profits Limited and Goodco Development Limited (“**Goodco**”) (all of which were wholly-owned subsidiaries of the Company), held an aggregate of 275,687,665 shares of Eminence, representing approximately 29.60% of the then total issued share capital of Eminence.

(a) Share Offer

On 3 February 2021 (after trading hours), Ace Winner as the offeror informed the board of directors of Eminence that it intended to make, subject to the satisfaction of the pre-condition, a voluntary conditional cash general offer to acquire all of the issued Eminence shares (other than those already owned or agreed to be acquired by the offeror and parties acting in concert with it) at HK\$0.50 per Eminence share (the “**Share Offer**”) on the terms and conditions set out in the composite document published by Eminence on 26 March 2021 and in compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). The Share Offer constituted a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. An ordinary resolution of the Share Offer was duly approved by the shareholders of the Company (the “**Shareholders**”) at the Company’s special general meeting held on 19 March 2021. On 7 April 2021, the Share Offer was declared unconditional in all respects.

The Share Offer closed on 21 April 2021 (the “**Closing Date**”) and Ace Winner received valid acceptances of the Share Offer in respect of a total 393,683,175 Eminence shares, representing approximately 42.26% of the issued share capital of Eminence and together with the Eminence shares already held by Ace Winner and parties acting in concert with it amount to an aggregate of 669,370,840 Eminence shares, representing approximately 71.86% of the total issued share capital of Eminence as of the Closing Date.

(b) Acquisition of Eminence shares in April 2021

On 22 April 2021, following the completion of the Share Offer, the Company further acquired on-market a total of 27,000,000 Eminence shares at each of price of HK\$0.50 (the Company is complied with Rule 31.3 of the Takeovers Code) for an aggregate purchase price of approximately HK\$13,500,000 (exclusive of transaction costs). As a result, the Group’s interest in Eminence increased to 696,370,840 Eminence shares, representing approximately 74.76% of the total issued share capital of Eminence as at the date of the acquisition and up to the date on 31 March 2022.

**APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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Performance of Eminence Group during the Year

The financial results of Eminence Group during the Year are highlighted as below:

	For the year ended 31 March		Change
	2022	2021	
	(Audited)	(Audited)	
Revenue			
Property development (<i>HK\$'000</i>)	—	—	N/A
Property investment (<i>HK\$'000</i>)	56,745	61,309	(7.4)%
Investment in securities and others (<i>HK\$'000</i>)	—	—	N/A
Loan financing (<i>HK\$'000</i>)	7,730	18,944	(59.2)%
Total revenue (<i>HK\$'000</i>)	64,475	80,253	(19.7)%
Gross profit (<i>HK\$'000</i>)	61,565	76,515	(19.5)%
Net profit (loss) (<i>HK\$'000</i>)	116,447	(180,793)	N/A
Basic earnings (loss) per share (<i>HK cents</i>)	12.50	(19.41)	N/A
Diluted earnings (loss) per share (<i>HK cents</i>)	9.77	(19.41)	N/A

**APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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As at 31 March 2022 and the date of this annual report, the development land portfolio held by Eminence Group as below:

Location	Intended usage	Approximate site area <i>(square feet)</i>	Anticipated year of completion
Fung Wah Factorial Building, Nos. 646, 648, 648A Castle Peak Road, Kowloon, Hong Kong	Industrial	9,206	2025
Wing Cheong Factory Building, No. 121 King Lam Street, Kowloon, Hong Kong	Industrial	5,483	2023
Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong	Commercial	2,857	2023
Nos. 1B–1E Davis Street, Kennedy Town, Hong Kong and Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong	Residential	7,122	2025

As at 31 March 2022, Eminence Group’s portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong, the PRC and Singapore. During the Year, Eminence Group recorded rental and management fee income of approximately HK\$56,745,000 (2021: approximately HK\$61,309,000) and fair value gain of approximately HK\$63,054,000 arising from change in fair value of investment properties.

The Directors believe that the consolidation of Eminence’s business was an effective channel for the Company to expand into the non-residential property development sector and could create synergy values by achieving greater business coherence and enhancing resources allocation. For more detailed business and financial performance of Eminence Group, please refer to its annual report for the year ended 31 March 2022.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EASYKNIT GROUP

Eminence Convertible Notes

As at 31 March 2022, the total outstanding principal amount of convertible notes held by Goodco is HK\$97,280,000 which entitles Goodco to convert into a total of 389,120,000 Eminence shares, details are as follows:

Issue date	Outstanding principal amount HK\$	Number of Shares	Conversion price HK\$	Annual Interest	Maturity Date
2017.05.11	16,000,000	64,000,000	0.25	4%	2024.08.28
2017.09.26	11,280,000	45,120,000	0.25	4%	2024.08.28
2019.08.28 (“2019 CN”)	70,000,000	280,000,000	0.25	4%	2024.08.28
Total	<u>97,280,000</u>	<u>389,120,000</u>			

During the Year, no exercise of the conversion rights under the aforesaid convertible notes held by Goodco was made.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2022, the Group’s bank borrowings amounted to approximately HK\$3,562,704,000 (2021: approximately HK\$1,472,467,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.72 (2021: approximately 0.46).

As at 31 March 2022, the Group has net current assets of approximately HK\$4,491,434,000 (2021: approximately HK\$1,871,702,000). Current ratio was approximately 3.8 (2021: approximately 3.8). The bank balances and cash as at 31 March 2022 was approximately HK\$184,425,000 (2021: approximately HK\$308,222,000), representing a decrease of approximately 40.2% or approximately HK\$123,797,000 compared to the Previous Year.

**APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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The maturity profile of the Group's secured bank borrowings is set out below:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):		
— within a period not exceeding one year	1,206,455	468,010
— within a period of more than one year but not exceeding two years	888,846	45,896
— within a period of more than two years but not exceeding five years	1,237,338	756,611
— within a period of more than five years	230,065	201,950
	<u>3,562,704</u>	<u>1,472,467</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(1,206,455)</u>	<u>(468,010)</u>
Amount due after one year shown under non-current liabilities	<u>2,356,249</u>	<u>1,004,457</u>

The Group's secured bank borrowings carry interest at HIBOR plus 1.0% to HIBOR plus 1.825%, LIBOR plus 0.8% to LIBOR plus 1.0% (2021: HIBOR plus 1.0% to HIBOR plus 1.825%) per annum, with effective interest ranging from 1.24% to 2.11% (2021: 1.13% to 4.05%) per annum.

CHARGES OF ASSETS

As at 31 March 2022, bank loans of the Group in the aggregate amount of approximately HK\$3,562,704,000 (2021: approximately HK\$1,472,467,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policies, listed equity securities in Hong Kong, perpetual bonds and debt instruments at fair value through other comprehensive income of the Group having a net book value of approximately HK\$7,464,811,000 (2021: approximately HK\$3,142,046,000). In addition, a credit facility granted by a bank for a property development project in Hong Kong was secured by pledge of 300,000,000 Eminence shares with fair value of HK\$37,200,000 (2021: 19,800,000 Eminence shares with fair value of HK\$9,702,000) held by a subsidiary of the Group.

TREASURY POLICY

The Group diversifies its source of funds including internal generated cash flow and interest-bearing bank borrowings during the Year to generate source of funds for its business operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

Most of the Group's revenues, payments and bank borrowings are denominated in Hong Kong dollars, United States dollars, Singapore dollars and Renminbi. During the Year, the Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The Directors considered the risk of exposure to the currency fluctuation to be minimal.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2022 (2021: nil).

CAPITAL EXPENDITURE

For the Year, the Group invested approximately HK\$1,924,000 (2021: approximately HK\$196,000) on the acquisition of property, plant and equipment, and approximately HK\$41,433,000 on additions of investment properties (2021: nil).

CAPITAL COMMITMENTS

As at 31 March 2022, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$20,339,000 (2021: nil).

EVENTS AFTER REPORTING PERIOD

(1) Discloseable Transaction — Purchase of equity-linked notes linked to shares in BOC HK

On 13 April 2022, a wholly-owned subsidiary of the Company acquired the equity-linked notes which was linked to shares in BOC Hong Kong (Holdings) Limited (“**BOC HK**”) (stock code: 2388) in the principal amounts of HK\$10,000,000. On 19 April 2022, a wholly-owned subsidiary of Eminence acquired the equity-linked notes of BOC HK in the principal amounts of HK\$20,000,000, which on a standalone basis or aggregated with the previous acquisition in the

past 12 months constitutes a discloseable transaction for the Company and on a standalone basis constitutes a discloseable transaction for Eminence under the Listing Rules. Details of the acquisition were set out in the announcement jointly published by the Company and Eminence dated 20 April 2022.

(2) Change in percentage level of shareholding in Eminence

On 20 April 2022, Eminence completed a total of 186,280,000 placing Eminence shares at the placing price of HK\$0.10 per placing share to not less than six allottees who and whose beneficial owners are independent third parties (the “**Eminence Placing**”). For more details, please refer to the announcements of Eminence dated 30 March 2022 and 20 April 2022 respectively.

Immediately upon the completion of the Eminence Placing, the shareholding percentage of the Group in Eminence was decreased from 74.76% to 62.30%. Eminence remains as a subsidiary of the Company.

(3) Adjustment of conversion price to Eminence convertible notes

Following the completion of Eminence Placing on 20 April 2022, Eminence has issued shares for cash at a price which is less than 95% of its current market price. Pursuant to the terms and conditions of the 2019 CN, the conversion price of 2019 CN has been adjusted from HK\$0.25 to HK\$0.24 per Eminence share and the total number of Eminence shares would be allotted and issued upon full conversion of the 2019 CN increased from 280,000,000 Eminence shares to 291,666,666 Eminence shares.

(4) Discloseable Transaction — Purchase of equity-linked notes linked to shares in HSB

On 29 March 2022, a wholly-owned subsidiary of the Company acquired the equity-linked notes which was linked to shares in Hang Seng Bank Limited (“**HSB**”) (stock code: 11) in the principal amounts of HK\$10,000,000. On 25 April 2022, a wholly-owned subsidiary of the Company acquired the equity-linked notes of HSB in the principal amounts of HK\$6,000,000, which when aggregated with the previous acquisition in the past 12 month constitutes a discloseable transaction for the Company under the Listing Rules. Details of the acquisition were set out in the announcement published by the Company dated 26 April 2022.

(5) Extension of financial assistance to Supreme Sino

On 11 May 2022, Planetec and Supreme Sino entered into a supplemental loan agreement to extend the repayment date of the SS Loan II to 29 December 2022 at an interest rate of 9% per annum. The extension of the SS Loan II constitutes a discloseable transaction for the Company under the Listing Rules, details of which were set out in the section “Provision of financial assistance to Supreme Sino” under the headed “Loan Financing” in this annual report and the announcement of the Company dated 11 May 2022 respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group’s businesses, including the following highlighted risks of (i) Hong Kong economic conditions which may directly affect the property market; (ii) availability of suitable land bank for future development; (iii) the continuous escalation of construction cost in Hong Kong in recent years; (iv) our results of operations maybe adversely affected by labour shortages and/or the increase in the costs of labour; (v) business cycle for property under development may be influenced by a number of factors and the Group’s revenue will be directly affected by the mix of properties available for sale and delivery; (vi) all construction works were outsourced to independent third parties and they may fail to provide satisfactory services adhering to our quality and safety standards or within the timeline required by the Group; (vii) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (viii) credit risk and recoverability of provision of loans which may incur bad debts during the downturn of economy; and (ix) credit risk on resulting from loan borrowers’ failure to repay or default contractual obligations which may result in an interruption of cash flows and increased costs for collection.

In response to the abovementioned possible risks, the Group has a series of internal control and risk management system to cope with the possible risks and has serious scrutiny over the selection of quality customers and suppliers. The Company keeps develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Company also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

PROSPECTS

Some jitters and uncertainty in 2021, despite another fraught year and lingering virus concern, the prospect continued uncertainties around the evolution of the virus, the pace of vaccine deployment and enduring geo-political risks. The global outlook has worsened amid rampant

inflation in some major economies and monetary policy tightening by respective central banks in response, tensions in Ukraine, and the lingering threat of the pandemic. Nevertheless, domestic economic conditions are expected to improve following the dropped rate of daily coronavirus cases from the fifth wave of the pandemic in the second quarter of 2022, progressive relaxation of social distancing measures, improvement of labour market with the new round of Consumption Voucher Scheme which rendered support to business and the gradual re-opening of economies. It can be expected to see more growth as market sentiments and confidence improve to drive more foreign investments in the construction and property sector.

Local banks did not follow The US Federal Reserve to raise interest rates (adjustment taken place in March and June 2022) for now due to the abundance of liquidity in the banking sector which does not put pressure on the banks to follow the US rate increase in the short term, and the inflation pressure in Hong Kong should remain moderate in overall terms. It is estimated that the local economy will likely only show signs of recovery during the second half of 2022 and looking ahead, the outlook of Hong Kong remains optimistic in the long term, the Group is confident in its business development. The Group will continue to (i) strength its risk management measures in order to maintain financial stability of the Group; (ii) to monitor the market changes closely and (iii) focusing its efforts in the development of its existing principal businesses while exploring other opportunities with a view to providing steady and favourable returns for its shareholders and strengthen every segment of its business.

EMPLOYEES

As at 31 March 2022, the Group had 89 employees (2021: 27). Staff costs (including Directors' emoluments) amounted to approximately HK\$57,970,000 for the Year (2021: approximately HK\$29,317,000). The Group remunerates its employees based on individual performance, experience and prevailing industry practice. The Group provides a defined contribution to Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all eligible employees of the Group in Hong Kong. Share option scheme is in place to provide appropriate incentive to motivate employees of the Group.

FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL RESULTS

For the year ended 31 March 2021, the Group's revenue amounted to approximately HK\$323,382,000 (2020: approximately HK\$63,633,000), representing an increase of approximately HK\$259,749,000 or approximately 408.2% as compared to last year.

The profit for the year attributable to the Company's owners was approximately HK\$22,308,000 (2020: loss of approximately HK\$297,755,000). The gross profit margin for the year was approximately 30.9%, compared to last year of approximately 96.2%, there was a decrease of approximately 65.3%.

The basic and diluted earnings per share amounted to HK\$0.25 for the year ended 31 March 2021, as compared with loss per share of HK\$3.26 for last year.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2021 (2020: nil).

BUSINESS REVIEW

During the year, the Group was principally engaged in property development, property investment, securities investment and loan financing businesses which property development and property investment are the core businesses of the Group. The review of each business segment of the Group is set out below.

PROPERTY DEVELOPMENT

Revenue recognised in this business segment during the year amounted to approximately HK\$275,319,000 (2020: nil). The review of existing major projects of the Group is set out below:

Project Waterloo Road

The Group, through its wholly-owned subsidiary, owns the site at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong which has a site area of approximately 9,800 square feet (the "**Waterloo Site**").

The Waterloo Site is being redeveloped into a luxurious residential accommodation with club house facilities and car parks, and the estimated gross floor area is approximately 48,954 square feet. The construction of the superstructure works is undergoing and this project is expected to be completed and to be launched in late 2022.

Project Chatham Road North

The Company, through its wholly-owned subsidiary, held in excess of 80% in Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North Building**”) as at 31 March 2021. The total site area of this project is approximately 4,653 square feet. On 29 November 2018, the Company filed an application to the Lands Tribunal pursuant to the LCSRO for an order for sale all the undivided shares of Chatham Road North Building (including those owned by the Group, as required by the LCSRO) for the purposes of redevelopment, with the intention to bid in the public auction and acquiring the remaining units held by the registered owner (units not owned by the Group), representing approximately 11.31% of the undivided shares of the Chatham Road North Building.

The Company has successfully won the bid in respect of the Chatham Road North Building at the public auction held on 1 June 2021. Details were set out in the announcement issued by the Company dated 1 June 2021. Upon completion of the acquisition, the Chatham Road North Building will be 100% owned by the Group and will be redeveloped into a composite building with residential and commercial use. The estimated attributable gross floor area after redevelopment is expected to be approximately 41,139 square feet. The demolition work is expected to commence in November 2021.

Details of the project of Chatham Road North Building were set out in the announcements of the Company dated 16 May 2018, 8 June 2018, 30 November 2018 and 11 September 2020 and the circulars of the Company dated 25 June 2018 and 23 October 2020.

Inverness Road Property — “Ayton”

“Ayton” is a residential project located at Nos. 14–20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong developed and wholly-owned by the Group. It consists of two 8-storey residential blocks comprising 60 residential units, 29 car parking spaces and 3 motor parking spaces. The total saleable area of approximately 40,742 square feet. The Group has launched its first phase of the sale of “Ayton” in May 2020. As at the date of this annual report, 28 units released were sold and the aggregate contracted sales amounted to approximately

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EASYKNIT GROUP

HK\$416,346,000. During the year ended 31 March 2021, 23 units among the transactions have been completed and a revenue of approximately HK\$275,319,000 has been recorded for sale of properties.

PROPERTY INVESTMENT

As at 31 March 2021, the Group's portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong.

During the year, the gross rental income of the Group was approximately HK\$32,815,000 (2020: approximately HK\$38,957,000), representing an approximately 15.8% decrease over the last year. The decrease in rental income was primarily attributable to the on-going of COVID-19 pandemic impact.

As at 31 March 2021, the occupancy rate of commercial units and industrial units of the Group's investment properties were 99.1% and 77.2% respectively. A loss on changes in fair value of investment properties of approximately HK\$85,640,000 (2020: approximately HK\$196,888,000) was recognised during the year. The segment reported a loss approximately HK\$71,954,000 for the year (2020: approximately HK\$178,691,000), representing a decrease in loss of approximately HK\$106,737,000 compared to last year.

SECURITIES INVESTMENT

The Group invested in a diversified portfolio of equity securities comprising blue-chip stocks and top-tier investments products to enhance its yields and seek gains. The Group takes into account the following criteria for investment decision: (i) potential return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2021, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$360,322,000 (2020: approximately HK\$172,858,000). The stock markets were volatile during the year and the Group recorded a gain in the securities investment segment of approximately HK\$153,865,000 for the year (2020: loss of approximately HK\$24,385,000).

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Details of the major listed equity securities as at 31 March 2021 were as follows:

Company name (stock code)	Number of shares held	Approximate percentage held to the total issued share capital in the investment company	Investment cost/cost of acquisition <i>HK\$'000</i>	Dividend income for the year ended 31 March 2021 <i>HK\$'000</i>	Fair value gain for the year ended 31 March 2021 <i>HK\$'000</i>	Fair value at 31 March 2021 <i>HK\$'000</i>	Approximate percentage of total assets of the Group at 31 March 2021
Best Food Holding Company Limited (“Best Food”) (1488)	20,294,000	1.29%	23,765	—	99	14,206	0.29%
Agricultural Bank of China Limited (1288)	4,164,916	0.01%	11,801	742	—	12,911	0.26%
Industrial and Commercial Bank of China Limited (“ICBC”) (1398)	7,778,900	0.01%	40,165	517	6,623	43,373	0.87%
China Construction Bank Corporation (“CCB”) (939)	2,053,370	0.00%	10,894	—	2,514	13,409	0.27%
China Sce Group Holdings Limited (1966)	1,929,000	0.05%	3,286	479	289	6,925	0.14%
Esprit Holdings Limited (330)	1,600,000	0.08%	17,695	—	192	1,232	0.02%
Others	—	—	38,300	188	14,104	50,589	1.02%
Grand Total:			<u>145,906</u>	<u>1,926</u>	<u>23,821</u>	<u>142,645</u>	<u>2.87%</u>

Purchases of CCB ELNs and disposals of CCB Shares

On 21 May 2020, the Company, through its wholly-owned subsidiary, purchased the equity-linked notes (“ELNs”) which was linked to shares in CCB (stock code: 939) in the principal amounts of HK\$50,000,000. The coupon rate for these ELNs was 15% per annum and through such purchase, the Group received a total interest income of approximately HK\$1,375,000 during the year under review. Details of the purchase were set out in the announcement of the Company dated 22 May 2020.

On 16 July 2020 and 28 July 2020, the Company, through its wholly-owned subsidiary, further purchased the CCB ELNs in principal amount of HK\$15,000,000 and HK\$15,000,000 respectively. The CCB ELNs matured on 9 October 2020 and 19 October 2020 respectively and the final share prices of CCB were below the strike price, where the Group was obliged to take delivery the underlying CCB shares according to the terms of the CCB ELNs.

During the year, the Group disposed of total 3,100,000 CCB shares on-market in a series of transactions conducted during the period from 24 February 2021 to 2 March 2021 for an aggregate gross sale proceeds of approximately HK\$19,635,000 (excluding transaction costs) and recognised a total gain of approximately HK\$3,915,000 from the disposal. Details of the purchases and disposals were set out in the announcements of the Company dated 17 July 2020 and 4 March 2021.

Purchase and Disposal of ICBC ELNs and disposal of ICBC Shares

On 24 June 2020, the Company, through its wholly-owned subsidiary, purchased the ELNs of ICBC (stock code: 1398) in the principal amounts of HK\$30,000,000. The ICBC ELNs matured on 15 September 2020 and the final share price of ICBC was below the strike price, where the Group was obliged to take delivery the underlying ICBC shares according to the terms of the ICBC ELNs.

During the year, the Group disposed of total of 3,100,000 ICBC shares on-market in a series of transactions conducted during the period from 24 February 2021 to 2 March 2021 for an aggregate gross sale proceeds of approximately HK\$16,231,000 (excluding transaction costs) and recognised a total gain of approximately HK\$2,529,000 from the disposal. Details of the purchase and disposal were set out in the announcements of the Company dated 24 June 2020 and 4 March 2021.

Purchase of Ping An ELNs and disposal of Ping An Shares

On 15 July 2020, the Company, through its wholly-owned subsidiary, purchased the ELNs of Ping An Insurance (Group) Company of China, Ltd. (“**Ping An**”) (stock code: 2318) in the principal amounts of HK\$15,000,000. The Ping An ELNs matured on 8 October 2020 and the final share price of Ping An was below the strike price, and the Group was obliged to take delivery the underlying Ping An shares according to the terms of the Ping An ELNs.

During the year, the Group disposed of total of 183,960 Ping An shares on-market in a series of transactions conducted during the period from 7 January 2021 to 8 January 2021 for an aggregate gross sale proceeds of approximately HK\$17,526,000 (excluding transaction costs). Details of the purchase and disposal were set out in the announcements of the Company dated 15 July 2020 and 12 January 2021.

Purchase of BOC ELNs and disposal of BOC Shares

On 30 July 2020, the Company, through its wholly-owned subsidiary, purchased ELNs of Bank of China Limited (“**BOC**”) (stock code: 3988) in the principal amounts of HK\$20,000,000. The BOC ELNs matured on 20 October 2020 and the final share price of BOC was below the strike price, and the Group was obliged to take delivery of the underlying BOC shares according to the terms of the BOC ELNs.

During the year, the Group disposed of total of 76,464,000 BOC shares on-market on 18 November 2020 for an aggregate gross sale proceeds of approximately HK\$20,951,000 (excluding transaction costs). After the disposal, the Group no longer owns any BOC shares. Details of the purchase were set out in the announcement of the Company dated 31 July 2020.

Purchase and Disposal of Alibaba Shares

During the period from 8 July 2020 to 15 July 2020, the Company, through its wholly-owned subsidiary, purchased an aggregate of 220,000 shares of Alibaba Group Holding Limited (“**Alibaba**”) (stock code: 9988) on-market for an aggregate purchase price of approximately HK\$53,752,000 (exclusive of transaction costs). Details of the purchase were set out in the announcement of the Company dated 15 July 2020. The Group disposed of such Alibaba shares during the year and recorded a realised gain of approximately HK\$2,246,000. As at 31 March 2021, the Group did not hold any Alibaba shares.

Investment in Eminence Shares

As at 1 April 2020, the Group, through Ace Winner Investment Limited (“**Ace Winner**”), Landmark Profits Limited and Goodco Development Limited (“**Goodco**”) (all of which were wholly-owned subsidiaries of the Company), held an aggregate of 255,887,665 shares of Eminence Enterprise Limited (“**Eminence**”) (stock code: 616), representing approximately 27.47% of the then total issued share capital of Eminence.

(a) Acquisition of Eminence shares in September 2020

On 4 September 2020, the Group had acquired additional equity interest in Eminence through on-market purchase of a total 19,800,000 shares at an aggregate consideration of approximately HK\$4,950,000 (exclusive of transaction costs), equivalent to an average price of approximately HK\$0.25 per Eminence Share. Upon completion of the acquisition, the Group’s interest in Eminence increased to 275,687,665 Eminence shares, representing approximately 29.60% of the total issued share capital of Eminence as of the date on 4 September 2020.

(b) Share Offer

On 3 February 2021 (after trading hours), Ace Winner as the offeror informed the board of directors of Eminence that it intended to make, subject to the satisfaction of the pre-condition, a voluntary conditional cash general offer to acquire all of the issued Eminence shares (other than those already owned or agreed to be acquired by the offeror and parties acting in concert with it) at HK\$0.50 per Eminence share (the “**Share Offer**”) on the terms and conditions set out in the composite document (which was despatched to Eminence’s independent shareholders on 26 March 2021) and in compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). The Share Offer constituted a very substantial acquisition for the Company under Chapter 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). An ordinary resolution of the Share Offer was duly approved by the shareholders of the Company (the “**Shareholders**”) at the Company’s special general meeting held on 19 March 2021. On 7 April 2021, the Share Offer was declared unconditional in all respects.

The Share Offer closed on 21 April 2021 (the “**Closing Date**”) and Ace Winner received valid acceptances of the Share Offer in respect of a total 393,683,175 Eminence shares, representing approximately 42.26% of the issued share capital of Eminence and together with the Eminence shares already held by Ace Winner and parties acting in concert with it amount to an aggregate of 669,370,840 Eminence shares, representing approximately 71.86% of the total issued share capital of Eminence as of the Closing Date. Upon completion of the Share Offer, Eminence becomes a subsidiary of the Company.

Details of the Share Offer were set out in the joint announcements of the Company and Eminence dated 11 February 2021, 1 March 2021, 19 March 2021, 26 March 2021, 7 April 2021 and 21 April 2021, the announcement of the Company dated 4 March 2021 and the circular of the Company dated 4 March 2021.

(c) Acquisition of Eminence shares in April 2021

On 22 April 2021, following the completion of the Share Offer, the Company further acquired on-market a total of 27,000,000 Eminence shares at each of price of HK\$0.50 (the Company is complied with Rule 31.3 of the Takeovers Code) for an aggregate purchase price of approximately HK\$13,500,000 (exclusive of transaction costs). As a result, the Group’s interest in Eminence increased to 696,370,840 Eminence shares, representing approximately 74.76% of the total issued share capital of Eminence as at the date of the acquisition and up to the date of this annual report.

(d) Subscription of Eminence Convertible Notes

On 1 March 2017, Eminence and Goodco entered into a subscription agreement in respect of the issue by Eminence of its 2017 (May) Convertible Note to Goodco in the principal amount of HK\$16,000,000 (“**2017 CN1**”). On 7 August 2017, Eminence and Goodco entered into a subscription agreement in respect of the issue by Eminence of its 2017 (September) Convertible Note to Goodco in the principal amount of HK\$28,200,000 (“**2017 CN2**”). On 17 June 2019, Eminence and Goodco entered into a subscription agreement in respect of the issue by Eminence of its 2019 Convertible Note to Goodco in the principal amount of HK\$70,000,000 (“**2019 CN**”).

On 18 September 2020, Eminence and Goodco entered into three deeds of amendment in respect of the proposed alteration of the terms of each of the aforesaid convertible notes (“**Proposed Alteration**”), pursuant to which both parties agreed that the conversion price of such convertible notes was revised to HK\$0.25 per Eminence share (subject to adjustment) and, the maturity date of the notes was extended to 28 August 2024 upon the deeds of amendment becoming unconditional. As a result of the Proposed Alteration, a total of 389,120,000 Eminence shares would be allotted and issued upon full conversion of the aforesaid convertible notes at the revised conversion price of HK\$0.25.

During the year, no exercise of the conversion rights under the aforesaid convertible notes held by Goodco was made and the outstanding principal amount of the aforesaid three notes as at 31 March 2021 was HK\$97,280,000 (the outstanding principal amount of 2017 CN1, 2017 CN2 and 2019 CN was HK\$16,000,000, HK\$11,280,000 and HK\$70,000,000 respectively). The aggregate fair value of the three notes was approximately HK\$199,944,000 as at 31 March 2021 (2020: approximately HK\$85,914,000). During the year, an unrealised fair value gain of approximately HK\$117,286,000 was recognised and the Group received a total interest income of approximately HK\$3,256,000 from such convertible notes.

LOAN FINANCING

For the year ended 31 March 2021, the Group recorded an interest income from the loan financing business amounting to approximately HK\$13,726,000 (2020: approximately HK\$23,487,000), representing approximately 4.2% of the total revenue of the Group. The decrease in interest income was primarily due to the decrease in average level of loans receivable as at 31 March 2021. Loss derived from loan financing business was approximately HK\$38,352,000 for the year ended 31 March 2021 (2020: approximately HK\$22,279,000). The carrying amount of loans receivable as at 31 March 2021 was approximately HK\$143,016,000 (2020: approximately

HK\$236,751,000). At 31 March 2021, the net impairment allowance recognised in profit or loss amounted to approximately HK\$47,791,000 (2020: approximately HK\$29,256,000) in its loan financing business.

Below were the major transactions of the Group on loan financing business during the year:

(a) Co-lending Agreement

On 18 June 2019, Planetic International Limited (“**Planetic**”), a wholly-owned subsidiary of the Company, entered into a co-lending agreement with STI Partners Limited (“**STI**”) and China Yinsheng Finance Limited (“**China Yinsheng**”), pursuant to which, inter alia, Planetic, STI and China Yinsheng, as co-lenders, agreed to enter into a loan agreement with an independent third party, as borrower, and make available to the borrower, an aggregate loan of HK\$64,000,000 (of which the total commitment from Planetic was HK\$45,000,000 at an interest rate of 8.50% per annum) for a period of twelve (12) months from the drawdown date. Such loan was secured by charge on properties of the borrower. During the year, the Group received a total interest income from such lending of approximately HK\$366,000. The loan was fully repaid in May 2020.

(b) Sale of Junior Notes

Charming Flash Limited (“**Charming Flash**”), a wholly-owned subsidiary of the Company, as subscriber, entered into a junior notes subscription agreement dated 31 October 2018 with Golden Glow Limited (the “**Issuer**”), as issuer, pursuant to which Charming Flash subscribed for the fixed-rate unsecured junior notes (the “**Junior Notes**”) issued by the Issuer in the amount of US\$4,500,000 (equivalent to approximately HK\$35,100,000) at an interest rate of 14.65% per annum.

Charming Flash later entered into a tripartite agreement (the “**Tripartite Agreement**”) dated 20 February 2020 with Green Heyday Limited (“**Green Heyday**”) and the Issuer, under which Charming Flash agreed to sell and Green Heyday agreed to acquire, the Junior Notes at a consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000). The consideration will be paid by three instalments. Charming Flash would have all rights attached or accruing to the Junior Notes, including the rights to receive all payments, dividends and distributions from the Junior Notes, until such time as it receives full payment of the consideration from Green Heyday and completes the sale and purchase of the Junior Notes under the Tripartite Agreement. As at 31 March 2021, US\$4,700,000 (equivalent to approximately HK\$36,480,000) of the consideration had been received by the Company. The Company is expected to recognise a gain of approximately US\$200,000 (equivalent to approximately HK\$1,560,000) from the sale of the Junior Notes, which

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is calculated on the basis of the difference between the face value of the Junior Notes of US\$4,500,000 (equivalent to approximately HK\$35,100,000) as at 20 February 2020 and the consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000).

Details of the transaction were set out in the announcements published by the Company dated 11 August 2017, 2 November 2018 and 20 February 2020 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2021, the Group's bank borrowings amounted to approximately HK\$1,472,467,000 (2020: approximately HK\$1,428,186,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.46 (2020: approximately 0.44).

As at 31 March 2021, the Group has net current assets of approximately HK\$1,871,702,000 (2020: approximately HK\$1,549,088,000). Current ratio was approximately 3.8 (2020: approximately 2.5). The bank balances and cash as at 31 March 2021 was approximately HK\$308,222,000 (2020: HK\$117,920,000), representing an increase of approximately 161.4% or approximately HK\$190,302,000 compared to the corresponding year of 2020.

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EASYKNIT GROUP**

As at 31 March 2021, the maturity profile of the Group's secured bank borrowings is set out below:

	31 March 2021 HK\$'000	31 March 2020 HK\$'000
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):		
— within a period not exceeding one year	468,010	823,275
— within a period of more than one year but not exceeding two years	45,896	237,787
— within a period of more than two years but not exceeding five years	756,611	133,492
— within a period of more than five years	201,950	233,632
	<u>1,472,467</u>	<u>1,428,186</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(468,010)</u>	<u>(823,275)</u>
Amount due after one year shown under non-current liabilities	<u>1,004,457</u>	<u>604,911</u>

CHARGES OF ASSETS

As at 31 March 2021, bank loans of the Group in the aggregate amount of approximately HK\$1,472,467,000 (2020: approximately HK\$1,428,186,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policy, listed equity securities in Hong Kong, perpetual bonds and debt instruments at fair value through other comprehensive income of the Group having a net book value of approximately HK\$3,142,046,000 (2020: approximately HK\$3,480,944,000). In addition, 19,800,000 Eminence shares with fair value of HK\$9,702,000 (2020: 71,500,000 Eminence shares with fair value of HK\$33,041,000) held by a subsidiary of the Group is pledged to a bank.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATIONS

Most of the Group's revenues and payments are denominated in Hong Kong dollars. During the year, the Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The Directors considered the risk of exposure to the currency fluctuation to be minimal.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2021 (2020: nil).

CAPITAL EXPENDITURE

For the year ended 31 March 2021, the Group invested approximately HK\$196,000 (2020: approximately HK\$32,000) on the acquisition of property, plant and equipment, and had not invested on additions of investment properties (2020: approximately HK\$3,128,000).

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no capital commitments in respect of capital expenditure contracted for but not provided (2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Acquisition and Termination of Acquisition of Above Ace and Success Edge From Eminence

On 5 November 2020 (as supplemented by a supplemental agreement dated 9 November 2020), the Company and Eminence entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which, among other things, the Company conditionally agreed to purchase, and Eminence conditionally agreed to sell, the entire issued shares of Above Ace Limited ("**Above Ace**") and Success Edge Limited ("**Success Edge**"), both being wholly-owned subsidiaries of Eminence, and Eminence agreed to procure the assignment of the sale loans owing by the two companies to Eminence to the Company at completion, at an aggregate consideration of HK\$1,100,000,000 (subject to adjustments). The sole material asset of Above Ace (through wholly-owned subsidiaries) is the properties located at Nos. 1B, 1C, 1D and 1E Davis Street, Kennedy Town, Hong Kong. The sole material asset of Success Edge (through wholly-owned subsidiaries) is the properties located at Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong.

The acquisition constitutes a very substantial acquisition for the Company. The completion of the sale and purchase is subject to the approval of Eminence’s independent shareholders and the Shareholders, and is conditional on Eminence’s successful bid for the remaining share of Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong in the public auction pursuant to the LCSRO. Eminence is the successful bidder at the auction held on 1 March 2021 and the acquisition of the remaining unit of Nos. 93 and 95 Catchick Street, Hong Kong was completed on 1 April 2021.

Upon completion of the Share Offer on 21 April 2021, Eminence became a subsidiary of the Company. Having reviewed the Company’s and Eminence’s respective businesses and operations, the Company and Eminence agreed to terminate the Sale and Purchase Agreement by entering into a termination agreement on 30 April 2021.

Details of the very substantial acquisition were set out in the announcements jointly published by the Company and Eminence dated 9 November 2020, 4 January 2021, 22 January 2021, 19 February 2021, 31 March 2021 and 30 April 2021.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 March 2021.

EVENTS AFTER REPORTING PERIOD

(1) Project Chatham Road North

The Company, through its wholly-owned subsidiary, won the bidding in respect of the Chatham Road North Building at the public auction held on 1 June 2021. The latest development of the Chatham Road North Building is set out in the section “Property Development” under the headed “Business Review” in this chapter of this annual report.

(2) Investment in Eminence Shares

The Share Offer closed on 21 April 2021 and the Group has further acquired a total of 27,000,000 Eminence shares on 22 April 2021, details of which were set out in the section “Investments in Eminence Shares (b) Share Offer and (c) Acquisition of Eminence shares in April 2021” under the headed “Business Review” in this chapter of this annual report.

(3) Termination of Acquisition of Above Ace and Success Edge

On 30 April 2021, the Company and Eminence entered into a termination agreement to terminate the Sale and Purchase Agreement, details of which were set out in the headed “Material Acquisitions and Disposals of Subsidiaries or Associated Companies” in this chapter of this annual report.

(4) Discloseable Transaction — Acquisition of promissory notes

On 25 May 2021, Gainever Corporation Limited, an indirect non-wholly owned subsidiary of the Company, subscribed and acquired an 8.0% Tranche B promissory notes (non-redeemable and non-transferable) due on 25 September 2025 to be issued by Lion Best Global Limited in the aggregate principal amount of US\$150,000,000 (equivalent to approximately HK\$1,162,500,000) for a total consideration of US\$3,000,000 (equivalent to approximately HK\$23,300,000). The proceeds of the promissory notes shall be used exclusively for the subscription to preferred shares in a target company, which will in turn invest the proceeds in real estate project relating to the Xinyi A7 area/Taipei Sky Tower in Taiwan. The acquisition constitutes a discloseable transaction for the Company under the Listing Rules, details of which were set out in the announcement of the Company dated 25 May 2021.

(5) Discloseable Transaction — Purchase of Best Food shares

During the period from 12 October 2020 to 15 June 2021, the Group, acquired an aggregate of 31,678,000 shares of Best Food (stock code: 1488) on the open market at an aggregate consideration of approximately HK\$20,000,000 (excluding stamp duty and transaction costs). Details of the purchase were set out in the announcement of the Company dated 16 June 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group’s businesses, including the following highlighted risks of (i) Hong Kong economic conditions which may directly affect the property market; (ii) availability of suitable land bank for future development; (iii) the continuous escalation of construction cost in Hong Kong in recent years; (iv) business cycle for property under development may be influenced by a number of factors and the Group’s revenue will be directly affected by the mix of properties available for sale and delivery; (v) all construction works were outsourced to independent third parties and they may fail to provide satisfactory services adhering to our quality and safety standards or within the timeline required by

the Group; (vi) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) credit risk and recoverability of provision of loans which may incur bad debts during the downturn of economy; and (viii) internet risk.

In response to the abovementioned possible risks, the Group has a series of internal control and risk management system to cope with the possible risks and has serious scrutiny over the selection of quality customers and suppliers. The Company keeps develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Company also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

PROSPECTS

Despite the difficult year in 2020, the property market has been helping along by the Government of the Hong Kong Special Administration Region to relax its policy to support businesses and individuals to stimulus the economy in response to the COVID-19 pandemic.

Hong Kong's GDP grew 7.9% in the first quarter of 2021 from an all-time low of a 9.1% contraction in the corresponding period of last year. The Hong Kong economy recovered visibly in the first quarter of 2021. The launch of COVID-19 vaccination programmes strengthen of global pandemic prevention and control, it is anticipated that there will be a gradual recovery in property market and see the market stabilise in 2021, supported by the roll-out of the vaccine.

Nevertheless, COVID-19 pandemic remains a key source of uncertainty surrounding the global economic outlook, other uncertain factors, including Sino-US relations also warrant attention. The economy and property business in Hong Kong are still challenging this year. The Group is prudently optimistic on the prospects of the property market in Hong Kong and will devote resources and efforts in increasing and replenishing its land bank.

In line with the investment strategy, the Group will continue to identify appropriate investment opportunities that fit its objective and investment criteria to enhance its financial position and further value can be created for the Shareholders.

The Group will continue to monitor the market changes closely and focusing its efforts in the development of its existing principal businesses while exploring other opportunities with a view to providing steady and favourable returns for the Shareholders and strengthen every segment of its business.

EMPLOYEES

As at 31 March 2021, the Group had 27 employees (2020: 32). Staff costs (including Directors' emoluments) amounted to approximately HK\$29,317,000 for the year under review (2020: approximately HK\$30,600,000). The Group remunerates its employees based on individual performance, experience and prevailing industry practice. The Group provides a defined contribution to Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all eligible employees of the Group in Hong Kong. Share option scheme is in place to provide appropriate incentive to motivate employees of the Group.

FOR THE YEAR ENDED 31 MARCH 2020

BUSINESS REVIEW

During the year, the Group was principally engaged in property development, property investment, securities investment and loan financing businesses. The review of each business segment of the Group is set out below.

(i) Property Development

One of the core businesses of the Group is property development. The Group has extensive experience in property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. As the Group did not roll out new properties during the year, there was no revenue recorded from the property development segment for the year (2019: HK\$755,880,000). Below are the existing major projects of the Group:

1. *Project Waterloo*

The Group, through its wholly-owned subsidiary, owns the site at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong (also known as the Remaining Portion of Section C of Kowloon Inland Lot No. 2145) which has a site area of approximately 9,800 sq. ft. (the “**Waterloo Site**”).

The Waterloo Site is being developed into a luxurious residential accommodation with club house facilities and car parks, and the estimated gross floor area is approximately 48,977 sq. ft. The development works are in progress and are expected to be completed in mid 2022.

2. *Chatham Road North*

The Company, through its wholly-owned subsidiary, holds more than 80% of the properties at Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North**”). The total site area of Chatham Road North is approximately 4,653 sq. ft. On 29 November 2018, the Company filed an application to the Lands Tribunal for an order to auction all the undivided shares of Chatham Road North (including those owned by the Group) for the purposes of redevelopment.

If the Group successfully acquires all the remaining units, the Chatham Road North site will be 100% owned by the Group and will be developed into a composite building with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 41,597 sq. ft.

Details of Chatham Road North are set out in the announcements of the Company dated 16 May 2018, 8 June 2018 and 30 November 2018 respectively and the circular of the Company dated 25 June 2018.

3. *Inverness Road Property — “Ayton”*

“Ayton” is a residential building on Inverness Road, Kowloon, Hong Kong (also known as New Kowloon Inland Lot No. 6573) developed by the Group. It consists of two 8-storey residential blocks comprising 60 residential units, 29 car parking spaces and 3 motor parking spaces. The total saleable area of approximately 40,742 sq. ft. The Group has launched its first phase of the sale of “Ayton” in May 2020.

(ii) *Property Investment*

Another core business of the Group is property investment. The Group’s investment properties comprise residential, commercial and industrial properties in Hong Kong.

During the year, the total rental income of the Group was approximately HK\$38,957,000 (2019: approximately HK\$54,892,000), representing an approximately 29.0% decrease over the last year. The decrease in rental income was primarily due to the disposal of Easy Tower (an industrial building located at No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong) which was completed on 8 March 2019, as well as the adjustment of rent for the shop spaces at Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon, Hong Kong. Details of the disposal of Easy Tower are disclosed in the announcement of the Company dated 21 November 2018 and the circular of the Company dated 12 February 2019.

As at 31 March 2020, the occupancy rate of commercial units and industrial units of the Group’s investment properties were 99% and 77% respectively. Income from building management for the year amounted to approximately HK\$1,189,000, an increase of approximately HK\$205,000 compared to last year (2019: approximately HK\$984,000). A loss on changes in fair value of investment properties of approximately HK\$196,888,000 (2019: gain of approximately

HK\$126,430,000) was recognized during the year. The overall results for the property investment segment was approximately a loss of HK\$178,691,000 for the year (2019: profit of HK\$162,264,000), representing a decrease of approximately HK\$340,955,000 compared to last year.

(iii) Securities Investment

The Group maintains a portfolio comprising blue-chip stocks and top-tier investments products which generate high yield in Hong Kong. The Group takes into account the following criteria when determining whether to take up an investment opportunity: (i) potential return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

During the year, the Group had several major acquisitions and disposals of securities investments which were as follows:

1. Purchases of CCB ELNs

On 15 May 2019 and 8 July 2019, the Company, through its wholly-owned subsidiary, purchased the equity-linked notes ("ELNs") of China Construction Bank Corporation ("CCB") (stock code: 939) in the principal amounts of HK\$10,000,000 and HK\$14,000,000 respectively. The coupon rate for these ELNs was 15% per annum and through such purchases, the Group received the total interest income of approximately HK\$475,000 during the year under review. Details of the purchases can be found in the announcements of the Company dated 20 May 2019 and 11 July 2019 respectively.

2. Disposals of HSBC Shares

During the period from 27 August 2019 to 30 August 2019, the Company, through its wholly-owned subsidiary, on-market disposed of in aggregate 631,700 shares of HSBC Holdings plc ("HSBC") (stock code: 5). The aggregate selling price was approximately HK\$35,452,000 (excluding transaction costs) and the average selling price (excluding transaction costs) was approximately HK\$56.121 per HSBC shares. The Group recorded a loss of approximately HK\$4,567,000 through such disposals, which was calculated on the basis of the difference between the book value of the HSBC shares disposed by the Group as at 31 July 2019 and the aggregate gross sales proceeds (excluding transaction costs). After the disposals, the Group no longer owns any HSBC shares. Details of the disposals can be found in the announcement of the Company dated 30 August 2019.

3. *Subscription of Convertible Note*

The Company, through Goodco Development Limited (“**Goodco**”) (a wholly-owned subsidiary of the Company), as subscriber, entered into a subscription agreement dated 17 June 2019 with Eminence Enterprise Limited (“**Eminence**”) (stock code: 616), as issuer, relating to the issue by Eminence to Goodco a convertible note in the principal amount of HK\$70,000,000, conferring Goodco the rights to convert at any time before 28 August 2024 the principal amount into the shares of Eminence (“**Eminence Share(s)**”) at a conversion price which is currently HK\$0.91 per Eminence Share (after adjustment). The completion took place on 28 August 2019. If the conversion rights attaching to the convertible note are exercised in full at the conversion price of HK\$0.91 per Eminence Share, a total of up to 76,923,076 Eminence Shares will be allotted and issued to Goodco. During the year, no exercise of the conversion rights under such convertible note was made and the outstanding principal amount held by Goodco as at 31 March 2020 was HK\$70,000,000. As at 31 March 2020, the Group received a total interest income of approximately HK\$1,248,000 from such convertible note. Details of the issue of the convertible note are set out in the joint announcement of the Company and Eminence dated 17 June 2019 and the circular of Eminence dated 2 August 2019.

4. *Acquisitions of Eminence Shares*

Eminence was an associate of the Group during the year. During the period from 12 February 2020 to 2 March 2020, the Company, through Ace Winner Investment Limited (“**Ace Winner**”) (a wholly-owned subsidiary of the Company), acquired on-market a total of 71,055,000 Eminence Shares, representing approximately 7.63% of the then total issued share capital of Eminence. The aggregate purchase price was approximately HK\$39,266,350 (exclusive of transaction costs) and the average purchase price per Eminence Share (exclusive of transaction costs) was approximately HK\$0.553. Through such acquisitions, Ace Winner became a substantial shareholder of Eminence. As at 31 March 2020, the Group, through Ace Winner, Landmark Profits Limited (“**Landmark Profits**”) and Goodco (all of which are wholly-owned subsidiaries of the Company), holds a total of 255,887,665 Eminence Shares, representing approximately 27.47% of the total issued share capital of Eminence. As the fair value of the net assets attributable to Eminence Shares acquired by Ace Winner was higher than the aggregate purchase price, the Group recorded a gain on bargain purchase of additional interests in associates of approximately HK\$200,462,000. Details of the acquisitions can be found in the announcements of the Company dated 13 February 2020 and 21 February 2020 respectively and the circular of the Company dated 5 March 2020.

As at 31 March 2020, the Group recorded a loss in fair value of financial assets at fair value through profit or loss of approximately HK\$28,824,000 (2019: loss of approximately HK\$21,794,000). As a result, the Group reported a segment loss of approximately HK\$24,385,000

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(2019: loss of approximately HK\$19,575,000) during the year under review. The Group received dividend income from the listed securities of approximately HK\$2,282,000 (2019: HK\$7,409,000) during the year under review.

The Group considers the prospects in respect of the listed shares investments are healthy. The Board understands that the performance of the investments may be affected by volatility in the Hong Kong stock market and subject to other external factors. Accordingly, the Group will continue to maintain a diversified portfolio of investments in different segments of markets to minimize the possible financial risks. The Group will also closely monitor the performance and progress of the investment portfolio from time to time.

As at 31 March 2020, the Group's investment in equity securities listed in Hong Kong amounted to approximately HK\$61,411,000 (2019: approximately HK\$105,666,000). It was derived from (i) a conversion of equity-linked investments of approximately HK\$25,566,000; (ii) net disposal of securities of approximately HK\$74,978,000; (iii) net acquisition of securities of approximately HK\$3,529,000; and (iv) net decrease in the market value of securities investments of approximately HK\$13,314,000 during the year under review. As at 31 March 2020, the Group's investment portfolio comprises 6 (2019: 5) equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group's significant securities investments as at 31 March 2020 were as below:

Company name (stock code)	Number of shares held	Approx. % held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2020 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2020 HK\$'000	Fair value at 31 March 2020 HK\$'000	Approx. % of total assets of the Group at 31 March 2020 %
Best Food Holding Company Limited (1488)	17,364	1.10	21,837	—	(8,824)	12,155	1.27
Other listed shares*	10,306	—	56,715	2,282	(4,490)	49,256	1.02
Grand total:			<u>78,552</u>	<u>2,282</u>	<u>(13,314)</u>	<u>61,411</u>	<u>2.29</u>

* Other listed shares included 5 companies whose shares are listed on the Main Board of the Stock Exchange.

(iv) Loan Financing

For the year ended 31 March 2020, the Group recorded interest income from the loan financing business amounting to approximately HK\$23,487,000 (2019: approximately HK\$18,591,000), representing approximately 26.3% increase comparing to last year. Loss derived from loan financing business was approximately HK\$22,279,000 for the year ended 31 March 2020 (2019: profit of approximately HK\$14,889,000). The carrying amount of loans receivable as at 31 March 2020 was approximately HK\$236,751,000 (2019: approximately HK\$206,674,000). At 31 March 2020, the net impairment allowance recognized in profit or loss amounted to approximately HK\$29,256,000 (2019: approximately HK\$273,000) in its loan financing business.

Below were the major transactions of the Group on loan financing business during the year:

1. Co-lending Agreement

On 18 June 2019, Planetic International Limited (“**Planetic**”), a wholly-owned subsidiary of the Company, entered into a co-lending agreement with STI Partners Limited (“**STI**”) and China Yinsheng Finance Limited (“**China Yinsheng**”), pursuant to which, inter alia, Planetic, STI and China Yinsheng, as co-lenders, agreed to enter into a loan agreement with an independent third party, as borrower, and make available to the borrower, an aggregate loan of HK\$64,000,000 (of which HK\$45,000,000 was from Planetic) for a period of twelve (12) months from the drawdown date. The interest rate charged by Planetic was 8.50% per annum. Such loan was secured by charge on properties of the borrower. For the year under review, the Group received a total interest income from such lending of approximately HK\$3,088,000. Further information can be found in the announcement of the Company dated 18 June 2019.

2. Sale of Junior Notes

Charming Flash Limited (“**Charming Flash**”) (a wholly-owned subsidiary of the Company), as subscriber, entered into a junior notes subscription agreement dated 31 October 2018 with Golden Glow Limited (the “**Issuer**”), as issuer, pursuant to which Charming Flash subscribed for the junior notes (the “**Junior Notes**”) issued by the Issuer in the amount of US\$4,500,000 (equivalent to approximately HK\$35,100,000) at an interest rate of 14.65% per annum.

Charming Flash later entered into a tripartite agreement (the “**Tripartite Agreement**”) dated 20 February 2020 with Green Heyday Limited (“**Green Heyday**”) and the Issuer, under which Charming Flash agreed to sell and Green Heyday agreed to acquire, the Junior Notes at the consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000). The consideration will be paid by three (3) instalments. Charming Flash will have all rights attached or accruing to

the Junior Notes, including the rights to receive all payments, dividends and distributions from the Junior Notes, until such time as it receives full payment of the consideration from Green Heyday and completes the sale and purchase of the Junior Notes under the Tripartite Agreement. As at 31 March 2020, US\$2,000,000 (equivalent to approximately HK\$15,480,000) of consideration had been received. The Company is expected to recognize a gain of approximately US\$200,000 (equivalent to approximately HK\$1,560,000) from the sale, which is calculated on the basis of the difference between the face value of the Junior Notes of US\$4,500,000 (equivalent to approximately HK\$35,100,000) as at 20 February 2020 and the consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000). For the year under review, the Group received a total interest income from the Junior Notes of approximately HK\$1,201,000.

Further information can be found in the announcements of the Company dated 11 August 2017, 2 November 2018 and 20 February 2020 respectively.

3. *Default of Loan Agreement*

Great Sail Global Limited (a wholly-owned subsidiary of the Company) (“**Great Sail**”), as lender, entered into a facility agreement dated 16 November 2016 (the “**2016 Facility Agreement**”) with Fortunate Gravity Hongkong Limited (“**Fortunate Gravity**”), as borrower, in relation to the granting of a loan in the principal amount of HK\$100,000,000 (the “**2016 Loan**”) from Great Sail to Fortunate Gravity. The 2016 Facility Agreement was supplemented and amended by supplemental agreements and consent letters. The 2016 Loan was secured by share charges and personal guarantee.

Great Sail later entered into a loan agreement dated 19 December 2018 (the “**Loan Agreement**”) with Fortunate Gravity, under which Great Sail granted to Fortunate Gravity a loan in the principal amount of HK\$40,000,000 (the “**2018 Loan**”) which was exclusively for the repayment of the outstanding principal amount under the 2016 Facility Agreement which was HK\$40,000,000 as at the date of signing of the Loan Agreement. The loan period was for a period of twelve (12) months from the date of drawdown. The 2018 Loan was secured by share charges and personal guarantee.

Great Sail later entered into an amendment agreement dated 5 February 2020 (the “**Amendment Agreement**”) with Fortunate Gravity, the shareholders of Fortune Gravity and Wang Jie, as guarantor, pursuant to which, inter alia, Great Sail conditionally agreed to amend the Loan Agreement and extend the maturity date of the 2018 Loan under the Loan Agreement for a period of twelve (12) months from 19 December 2019 up to 18 December 2020. The interest rate of the

**APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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2018 Loan under the Amendment Agreement was 16% per annum and as per the confirmatory share charges and confirmatory guarantee dated 5 February 2020, inter alia, the 2018 Loan will continue to be secured by the share charges and personal guarantee.

However, as Fortunate Gravity failed to pay the due interest on 28 February 2020, an event of default had occurred under the Loan Agreement (as amended by the Amendment Agreement) and on 12 March 2020, Great Sail initiated the process of enforcement of the share charges and enforcement of its rights generally under the Loan Agreement (as amended by the Amendment Agreement).

Further information can be found in the announcements of the Company dated 17 November 2016, 16 November 2017, 14 February 2018, 14 August 2018, 17 September 2018, 20 December 2018, 5 February 2020, 11 February 2020, 12 March 2020 and 16 March 2020 respectively and the circulars of the Company dated 8 December 2016 and 7 December 2017 respectively.

FINANCIAL REVIEW

	Year ended 31 March		
	2020	2019	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	63,633	830,347	(766,714)
Gross profit	61,206	353,892	(292,686)
Gross profit margin	96.2%	42.6%	53.6%
Distribution and selling expenses	(13,009)	(53,044)	40,035
Administrative expenses	(57,305)	(60,226)	2,921
Finance costs	(23,622)	(23,043)	(579)
(Loss)/profit before taxation	(298,936)	354,985	(653,921)
Taxation	877	(39,171)	40,048
(Loss)/profit for the year	(298,059)	315,814	(613,873)
(Loss)/profit for the year attributable to shareholders of the Company	(297,755)	315,959	(613,714)
Net (loss)/profit margin	(468.4%)	38.0%	(506.4%)
(Loss)/earnings per share			
Basic and diluted	HK\$(3.26)	HK\$3.52	HK\$(6.78)

Revenue

For the year ended 31 March 2020, the Group's revenue decreased by approximately 92.3% to approximately HK\$63,633,000 as compared with last year of approximately HK\$830,347,000 which was mainly due to a decrease in rental income as well as revenue from property sales as the Group did not roll out new properties during the year.

Gross Profit/Margin

Gross profit of the Group for the year ended 31 March 2020 was approximately HK\$61,206,000, representing a decrease of approximately 82.7% or approximately HK\$292,686,000 as compared to approximately HK\$353,892,000 in 2019. Gross profit margin for the year reached approximately 96.2% (2019: approximately 42.6%), representing an increase of approximately 53.6% over the last financial year.

Loss before Taxation

Loss before taxation of the Group for the year ended 31 March 2020 was approximately HK\$298,936,000, as compared with profit before taxation of HK\$354,985,000 last year.

Distribution and selling expenses of the Group decreased from approximately HK\$53,044,000 to approximately HK\$13,009,000, a decrease of approximately 75.5% as compared with last year.

Administrative expenses of the Group were approximately HK\$57,305,000, a decrease of approximately 4.9% over last year of approximately HK\$60,226,000.

During the year under review, there was a loss on changes in fair value of investment properties amounting to approximately HK\$196,888,000 (2019: gain of approximately HK\$126,430,000).

Finance costs of the Group for the year was approximately HK\$23,622,000, representing an increase of approximately HK\$579,000 or approximately 2.5% from approximately HK\$23,043,000 in 2019.

Loss for the Year and Loss per Share

Loss for the year ended 31 March 2020 was approximately HK\$298,059,000 (2019: profit of approximately HK\$315,814,000). Net loss margin of this year was approximately 468.4% as compared to the net profit margin of approximately 38.0% of last year.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EASYKNIT GROUP

For the year ended 31 March 2020, the taxation credit was approximately HK\$877,000 (2019: taxation charge of approximately HK\$39,171,000).

Basic and diluted loss per share for the year ended 31 March 2020 was approximately HK\$3.26 as compared to basic and diluted earnings per share of approximately HK\$3.52 in last year.

Liquidity and Financial Resources

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2020, the Group's bank borrowings amounted to approximately HK\$1,428,186,000 (2019: approximately HK\$1,285,984,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.44 (2019: approximately 0.36).

As at 31 March 2020, the Group has net current assets of approximately HK\$1,549,088,000 (2019: approximately HK\$1,690,736,000). Current ratio was approximately 2.5 (2019: approximately 2.8). The bank balances and cash as at 31 March 2020 was approximately HK\$117,920,000, representing a decrease of approximately 38.5% or approximately HK\$73,750,000, compared to last year of approximately HK\$191,670,000.

Capital Structure

As at 31 March 2020, the total number of issued ordinary shares of the Company (the "Shares") was 91,320,403 Shares (31 March 2019: 91,320,403 Shares), and the nominal value per Share was HK\$0.1 (2019: HK\$0.1). The total share capital of the Company was therefore approximately HK\$9,132,000 (31 March 2019: approximately HK\$9,132,000).

Charges of Assets

As at 31 March 2020, bank loans amounting to approximately HK\$1,428,186,000 (2019: approximately HK\$1,285,984,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policy, listed equity securities in Hong Kong, perpetual bonds and debt instruments at fair value through other comprehensive income of the Group having a net book value of approximately HK\$3,480,944,000 (2019: approximately HK\$3,064,625,000). In addition, 71,500,000 Eminence Shares with fair value of HK\$33,041,000 (2019: nil) held by a subsidiary of the Group is pledged to a bank.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in Hong Kong dollars. During the year, the Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors of the Company (the "Directors") considered the risk of exposure to the currency fluctuation to be minimal.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 March 2020.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2020 (2019: nil).

Capital Expenditure

For the year ended 31 March 2020, the Group invested approximately HK\$32,000 (2019: approximately HK\$232,000) on the acquisition of property, plant and equipment, and spent approximately HK\$3,128,000 (2019: approximately HK\$4,743,000) on additions of investment properties.

Capital Commitments

As at 31 March 2020, the Group had no capital commitments in respect of capital expenditure contracted for but not provided (2019: nil).

PROPOSED SPIN-OFF

On 12 May 2017, the Company submitted a spin-off and separate listing proposal of the Group's residential property business (the "Proposed Spin-off") to the Stock Exchange and on 24 October 2017, the Stock Exchange agreed that the Company may proceed with the Proposed Spin-off. However, on 29 March 2019, the Company received a letter from the Stock Exchange rejecting the Proposed Spin-off on the basis that the Company did not satisfy certain requirements of Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange as

introduced in February 2018. After several rounds of review, appeals and hearings, the Listing Committee on 13 August 2019 upheld its decision of rejecting the Proposed Spin-off. As such, the Company decided not to further appeal nor proceed with the Proposed Spinoff.

For further details, please refer to the Company's announcements dated 27 October 2017, 9 April 2019, 17 May 2019, 24 May 2019 and 14 August 2019 respectively.

FULL ACCEPTANCE OF ALLOTMENT UNDER THE RIGHTS ISSUE OF EMINENCE

On 4 November 2019, the Company, through its wholly-owned subsidiaries, Landmark Profits and Goodco, owned 739,330,692 Eminence Shares. Goodco had irrevocably undertaken to Eminence that it would not exercise any conversion rights under, or transfer, the convertible notes held by it before close of business on the record date. Each of Landmark Profits and Goodco had irrevocably undertaken to Eminence and the underwriter that Eminence Shares beneficially owned by it would not be disposed of or transferred from the date of the undertakings (i.e. 4 November 2019) before close of business on the record date, that the rights shares to be allotted in respect of those consolidated shares would be taken up in full, representing a total of 147,866,132 rights shares and it would not apply for any excess rights shares. Further information can be found in the Company's joint announcement with Eminence dated 6 November 2019 (as supplemented by a further announcement dated 18 November 2019).

EMPLOYEES

As at 31 March 2020, the Group had 32 employees (2019: 33). Staff costs (including Directors' emoluments) amounted to approximately HK\$30,600,000 for the year under review (2019: approximately HK\$63,647,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for Hong Kong's employees. The Group has a share option scheme to motivate employees.

EVENTS AFTER REPORTING PERIOD

- (1) On 21 May 2020, the Company, through Ace Winner, a wholly-owned subsidiary of the Company, purchased an ELN of CCB for a principal amount of HK\$50,000,000 (exclusive of transaction costs). The coupon rate is 15% per annum, issue price is HK\$6.270 per CCB share, strike price is HK\$5.806 per CCB share. The first valuation date is 6 July 2020, the final valuation date is 4 August 2020 and the maturity date is 11 August 2020. Details can be found in the announcement of the Company dated 22 May 2020.

- (2) The outbreak of coronavirus disease 2019 (“**COVID-19**”) has a severe negative impact on the retail property market in Hong Kong. The fair value of the Group’s investment properties which are mainly comprised of commercial properties is expected to decrease in 2020. Besides, the fair value of the residential and commercial properties held by the Group’s associates, Eminence, for leasing are also affected if the rental income for the residential and commercial properties by the associates will be reduced in 2020.

Given the unpredictability of future development of COVID-19, the impacts to the Group cannot be reliably quantified or estimated at the date of issuing the consolidated financial statement. The Company will continue to closely monitor the situation. The actual financial effects, if any, will be reflected in the Group’s future financial statements.

PROSPECTS

Although uncertainties in the global economic outlook have been caused by the softening global economic growth, trade war between US and China and outbreak of COVID-19, the 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 Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Group will continue to look for potential investment properties for recurring income and capital appreciation, at the same time expanding its loan financing business for the growth of its stable recurring income.

These strategies are intended to enable the Group to maintain its competitiveness thereby ensuring the Group’s sustainability and securing the Shareholders’ benefits.

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

Set out below is the management discussion and analysis of the Eminence Group's business and performance for the six months ended 30 September 2022 (“**IR2022**”) and each of the financial years ended 31 March 2022 (“**FY2022**”), 2021 (“**FY2021**”) and 2020 (“**FY2020**”), respectively, as extracted from the unaudited consolidated financial statements of the Eminence Group for the IR2022 and the audited consolidated financial statements of the Eminence Group for each of the FY2022, FY2021 and FY2020, respectively.

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INTERIM RESULTS

The Group's unaudited consolidated profit attributable to shareholders of the Company (the “**Shareholders**”) for the Period was approximately HK\$63,412,000 as compared to profit of approximately HK\$81,785,000 for the corresponding period in 2021 (“**2021 Period**”). The decrease in net profit was mainly attributable to, among other things, (i) decrease in revenue and (ii) decrease in write-back on properties held for development for sale. Such decrease in net profit was partially offset by (iii) increase in gain on change in fair value of investment properties and (iv) increase in reversal of impairment loss on loans receivable.

Basic and diluted earnings per share for the Period were approximately 5.02 HK cents and 4.47 HK cents respectively as compared with basic and diluted earnings per share of approximately 8.78 HK cents and 6.66 HK cents respectively for 2021 Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (2021 Period: nil).

BUSINESS REVIEW

During the Period, the Group was principally engaged in property development, property investment (comprising ownership and rental of investment properties), investment in securities and others and loan financing business which property development and property investment are the core businesses of the Group. The review of each business segment of the Group is set out below.

(i) Property Development

One of the Group's core businesses is property development. The Group has extensive experience on property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. Below are the major projects of the Group during the Period.

(a) Project Matheson Street

As at 30 September 2022, the Group, through its indirect wholly-owned subsidiary, owned the site at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong. The total area of the site is approximately 2,857 square feet and is currently under construction. After redevelopment, the site will provide a gross floor area of approximately 42,854 square feet of commercial and/or office mixed-use building. Construction of the project is expected to complete in early 2023.

(b) Project King Lam Street (formerly known as Project Wing Cheong)

As at 30 September 2022, the Group, through its indirect wholly-owned subsidiary, owned the site located at No. 121 King Lam Street, Kowloon, Hong Kong. The site area is approximately 5,483 square feet. The Group plans to redevelop the site into an industrial building with modern amenities, facilities and loading or unloading bays utilizing floor area allowable under all relevant laws and regulations which maximize the usage and potential of the lot to its fullest extent. The site is undergoing superstructure works and the project is expected to complete in late 2023.

(c) Project Kennedy Town

As at 30 September 2022, the Group, through its indirect wholly-owned subsidiaries, owned all the units at (i) Nos. 1B and 1C and Nos. 1D and 1E of Davis Street, Kennedy Town, Hong Kong ("**Davis Street**"); and (ii) Nos. 93 and 95 Catchick Street, Hong Kong ("**Catchick Street**"). The combined site area of Davis Street and Catchick Street is approximately 7,122 square feet. The Group plans to redevelop the combined site into a commercial and/or residential mixed-use development to maximize its usage. Foundation work is underway and the project is expected to complete in 2025.

(d) Project Fung Wah

As at 30 September 2022, the Group, through its indirect wholly-owned subsidiaries, owned the site at Fung Wah Factorial Building, Nos. 646, 648 and 648A Castle Peak Road, Kowloon (collectively, the "**Fung Wah Factorial Building**"). The total site area is approximately 9,206

square feet. The Group plans to redevelop the Fung Wah Factorial Building into a high-rise modern industrial building to maximize its usage. Foundation work is underway and the project is expected to complete in 2025.

(ii) Property Investment

The other principal business of the Group is property investment. As at 30 September 2022, the Group's property investment portfolio comprised of residential, commercial and industrial units located in Hong Kong, Singapore and the People's Republic of China (the "PRC"). During the Period, the total rental and management fee income of the Group decreased by approximately 21.7% to approximately HK\$24,487,000 (2021 Period: approximately HK\$31,268,000). The decrease is primarily attributable to demolition of certain properties previously recognized as investment properties in Hong Kong for the purposes of property development.

Hong Kong

In Hong Kong, the Group owns residential, commercial and industrial units with a total carrying amount of approximately HK\$852,800,000 as at 30 September 2022 (31 March 2022: approximately HK\$796,200,000). For the Period, the Group recorded property rental income of approximately HK\$10,457,000 (2021 Period: approximately HK\$16,949,000), representing a decrease of approximately 38.3% as compared with 2021 Period.

Singapore

In Singapore, the Group owns three (3) residential units with a total carrying amount of approximately HK\$186,154,000 as at 30 September 2022 (31 March 2022: approximately HK\$183,680,000). For the Period, the Group received property rental income of approximately HK\$1,476,000 (2021 Period: approximately HK\$1,396,000), representing an approximately 5.7% increase.

The PRC

In Huzhou City, Zhejiang Province of the PRC, the Group has an industrial complex of fifteen (15) blocks of factory premises and five (5) blocks of dormitories with a total carrying amount of approximately HK\$345,543,000 as at 30 September 2022 (31 March 2022: approximately HK\$387,683,000). For the Period, the Group recorded property rental income and management fee income of approximately HK\$3,723,000 and HK\$8,831,000 respectively (2021 Period: approximately HK\$4,817,000 and HK\$8,106,000 respectively).

(iii) Investment in Securities and Others

The Group adopted a prudent attitude in its well- diversified securities investment. During the Period, the Group had acquired and disposed of listed and unlisted equity securities, equity linked notes and other investment products. The Group recorded fair value loss in securities and other investments of approximately HK\$9,850,000 (2021 Period: loss of approximately HK\$15,565,000). As a result, the Group reported segment loss of approximately HK\$15,920,000 (2021 Period: segment loss of approximately HK\$24,529,000) during the Period. The Group received dividend income from the listed securities investments of approximately HK\$1,551,000 during the Period.

As at 30 September 2022, the Group's investment in equity securities listed in Hong Kong and the United States of America amounted to approximately HK\$17,895,000 (31 March 2022: approximately HK\$52,818,000). This value represented an investment portfolio comprising 4 (31 March 2022: 8) equity securities which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the New York Stock Exchange. The movement during the Period were (a) the disposal of securities investments which had a fair value of approximately HK\$30,327,000 and (b) net decrease in market value of securities investments in the amount of approximately HK\$4,596,000.

The Group considers the prospects in respect of the investments in securities and others remain cautiously optimistic. The Group understands that the performance of the investments may be affected by global economic uncertainties and degree of volatility in the Hong Kong financial market and subject to other external factors. Accordingly, the Group will continuously maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. The Group will also closely monitor the performance progress of the investment portfolio in a prudent and balanced risk management approach from time to time.

(iv) Loan Financing

The loan financing business of the Group is primarily operated by City China International Limited ("**City China**"), an indirect wholly-owned subsidiary of the Company which is a licensed money lender carrying on business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The borrowers of the loan financing business are individuals and corporate entities that have short-term funding needs and could provide sufficient collaterals for their borrowings. The borrowers are primarily acquired through business referrals and introductions. City China's source of funding is financed by the Group's internal resources. For the Period, the Group recorded interest income from loan financing business amounting to approximately HK\$1,899,000 (2021 Period: approximately HK\$5,168,000), representing a decrease of approximately 63.3% comparing with 2021 Period. The segment profit of loan financing business was approximately

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

HK\$6,987,000 for the Period (2021 Period: segment loss of approximately HK\$21,177,000). The outstanding principal amount of loans receivable as at 30 September 2022 was approximately HK\$69,350,000 (31 March 2022: approximately HK\$94,381,000). During the Period, reversal of impairment allowance was recognized in profit or loss amounting to approximately HK\$9,019,000 (2021 Period: impairment loss of approximately HK\$11,668,000) in its loan financing business.

The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including due diligence, credit appraisal, proper execution of documentations, continuous monitoring and collection and recovery. Before entering into loan agreements, the Group focuses on the due diligence procedures and credit risk assessment work, including but not limited to meeting with each borrower, conducting research on their backgrounds, evaluating their current business operations and financial conditions, market reputation and creditability, conducting financial and recoverability analysis, and reviewing on repayment history (including recent settlement records, and any litigations and bankruptcy orders) and change in career or business background and financial position of each borrower in order to better understand the circumstances of each borrower. The Group regularly assesses the value of the collaterals and guarantees of the borrowers for their credit quality, and defines credit limits to be granted to the borrowers. To minimize credit risks, the Group typically requires guarantees, including collaterals with expected realized value exceeding the loan amount, post-dated cheques and/or personal or corporate guarantees. The Group closely monitors on an ongoing review of credit risks of loans recoverability and collection to ensure that follow-up actions (including legal actions if necessary) are taken to recover overdue debts.

The Group generally provides short-term loans of maturity of not more than two (2) years. The repayment terms and conditions are determined by factors including the repayment ability of the borrowers, the Group's funding and cash flows management strategies, and the terms and rates of the prevailing market.

The Group has concentration of credit risk in relation to loans receivable, amounting to approximately HK\$69,350,000 as at 30 September 2022 (31 March 2022: approximately HK\$94,381,000), from a few borrowers with approximately 68% (31 March 2022: approximately 69%) of the balance were secured by guaranteed money of nil (31 March 2022: HK\$10,000,000) or properties with estimated fair values of HK\$208,655,000 (31 March 2022: HK\$161,407,000). The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrowers. There have not been any significant changes in the quality of the collateral held for the loans receivable. In addition, the unsecured loans receivable as at 30 September 2022 amounting to HK\$32,951,000 (31 March 2022: HK\$39,750,000) were with personal guarantee. The largest borrower of the Group by itself and together with the other four (4) largest borrowers of the Group accounted for approximately 25% (31 March 2022: approximately 19%) and 64% (31 March 2022:

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

49%) respectively of the loans receivable of the Group as at 30 September 2022. During the Period, the range of interest rate on the fixed-rate loans receivable of the Group was 4% to 8% (2021 Period: 4% to 8%) per annum, and the total number of the borrowers of the loan financing business of the Group is 11.

In view of the foreseeable increase in risk of default by the borrowers as COVID-19 pandemic continued, the Group reassessed the credit ratings of individual borrowers and made necessary provisions for potential impairment loss. As at 30 September 2022, allowance for loans receivable amounted to approximately HK\$38,220,000 (31 March 2022: approximately HK\$47,239,000). Except for those credit-impaired loans receivable, there were no loans receivable which are past due as at 30 September 2022.

The Group performs impairment assessment under expected credit loss (“ECL”) model on loans receivable which are subject to impairment assessment under Hong Kong Financial Reporting Standard 9 issued by Hong Kong Institute of Certified Public Accountants. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the loans receivable’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, such as a significant increase in the credit spread, the credit default swap prices for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the borrower; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environments of the borrower that results in a significant decrease in the borrower’s ability to meet its debt obligations.

The Group seeks to maintain strict control over its outstanding loans receivable to minimize credit risk. Impairment allowances on outstanding loans receivable are determined by an evaluation of financial backgrounds, financial conditions and historical settlement records,

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including past due rates and default rates, of the borrowers and relevant information from public domain at the end of each reporting period. The borrowers are assigned different grading under internal credit ratings to calculate ECL, taking into consideration the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of obtaining and selling the collaterals.

As at 30 September 2022, included in the gross amount of loans receivables are HK\$51,930,000 (31 March 2022: HK\$60,930,000), net of accumulated impairment allowances of HK\$36,730,000 (31 March 2022: HK\$44,930,000) due from a group of borrowers including an individual (the “**Borrower**”) with gross amount of HK\$27,380,000 (31 March 2022: HK\$27,380,000) and other individuals (with personal guarantee from the Borrower) with gross amount of HK\$24,550,000 (31 March 2022: HK\$33,550,000). During the Period, the management assessed, taking into account the relevant information from public domain, such balances became credit-impaired and has taken various actions to recover the balances. The management has also negotiated with certain borrowers to make settlements of the loans and total settlements of HK\$9,000,000 were received from the borrowers during the Period.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2022, total assets of the Group amounted to approximately HK\$5,035,900,000 (31 March 2022: approximately HK\$4,879,808,000). In terms of financial resources as at 30 September 2022, the Group’s total bank balances and cash was approximately HK\$231,109,000 (31 March 2022: approximately HK\$82,099,000).

As at 30 September 2022, the Group has total bank borrowings of approximately HK\$1,761,704,000 (31 March 2022: approximately HK\$1,662,307,000). The Group’s gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders’ equity was approximately 0.6 (31 March 2022: approximately 0.6). As at 30 September 2022, the Group’s current ratio was approximately 5.0 (31 March 2022: approximately 3.8).

The Group financed its operations primarily with recurring cash flow generated from its operations, proceeds raised from the capital market and bank financing.

Charges on Assets

As at 30 September 2022, the Group had bank loans amounting to approximately HK\$1,761,704,000 (31 March 2022: approximately HK\$1,662,307,000) which were secured by the Group's properties with an aggregate net book value of approximately HK\$998,953,000 (investment properties), approximately HK\$3,104,784,000 (properties held for development for sale) and approximately HK\$13,345,000 (life insurance policies) respectively (31 March 2022: approximately HK\$939,880,000, HK\$3,020,650,000 and HK\$12,914,000 respectively).

Exposure of Foreign Exchange Fluctuations

Most of the Group's revenues and payments are denominated in Hong Kong dollars, United States dollars, Singapore dollars and Renminbi. During the Period, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Group considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2022 (31 March 2022: nil).

Capital Structure

As at 30 September 2022, the total number of issued ordinary shares of the Company (“Share(s)”) was 2,125,924,676 (31 March 2022: 931,458,010 Shares) and the nominal value per Share was HK\$0.01 (31 March 2022: HK\$0.01).

For movement of the total number of issued Shares during the Period, please refer to the sections headed “Placing of New Shares under General Mandate”, “Conversion of the Goodco Convertible Notes” and “Placing of New Shares under Specific Mandate” below.

Capital Expenditures and Capital Commitments

Capital Expenditures

During the Period, the Group invested approximately HK\$562,000 (2021 Period: approximately HK\$980,000) in the purchase of property, plant and equipment, and spent nil (2021 Period: approximately HK\$1,432,000) on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of the Company.

Capital Commitments

As at 30 September 2022, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$19,635,000 (31 March 2022: approximately HK\$20,339,000).

Changes in Fair Value of Investment Properties

During the Period, there was a gain of approximately HK\$69,192,000 on changes in fair value of investment properties (2021 Period: gain of approximately HK\$30,828,000).

Finance Costs

Finance costs were approximately HK\$9,651,000 for the Period, which decreased by approximately HK\$458,000 or approximately 4.5% from approximately HK\$10,109,000 in 2021 Period. Included in the finance costs of approximately HK\$4,396,000 (2021 Period: approximately HK\$6,110,000) was the effective interest expense on the convertible notes.

Changes since 31 March 2022

Save as disclosed, there were no other significant changes in the Group's financial statements or from the information disclosed in 2022 Annual Report.

Placing of New Shares under General Mandate

On 30 March 2022, Kingston Securities Limited (the "**Placing Agent**") and the Company entered into a conditional placing agreement (the "**Placing Agreement 1**") pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 186,280,000 new Shares at the placing price of HK\$0.10 per placing Share to not less than six (6)

placees who and whose ultimate beneficial owners are independent third parties. The placing Shares were allotted and issued under the general mandate granted to the Directors by resolution of the Shareholders passed at an annual general meeting of the Company held on 13 August 2021 (the “**Placing under General Mandate**”).

On 20 April 2022, all conditions to the Placing Agreement 1 have been fulfilled and the completion of the Placing under General Mandate took place. The total number of issued Shares increased from 931,458,010 to 1,117,738,010, and the conversion price of the convertible note issued to Goodco Development Limited (“**Goodco**”, a substantial Shareholder) on 28 August 2019 has been adjusted from HK\$0.25 to HK\$0.24 per Share with effect from 20 April 2022.

As at 30 September 2022, the net proceeds from the Placing under General Mandate (after deducting the placing commission and other relevant costs and expenses) amounted to approximately HK\$18,380,000 were fully utilized as the Group’s general working capital.

Further information can be found in the Company’s announcements dated 30 March 2022 and 20 April 2022 respectively.

Conversion of the Goodco Convertible Notes

On 25 July 2022, the Company received the conversion notices from Goodco, the noteholder of three (3) convertible notes issued to Goodco on 11 May 2017, 26 September 2017 and 28 August 2019 respectively (the “**Goodco Convertible Notes**”), requesting to exercise its conversion rights in full attached to the Goodco Convertible Notes to convert a total principal amount of HK\$97,280,000 into an aggregate of 400,786,666 conversion Shares (the “**Conversion**”). On the same date, upon completion of the Conversion, 400,786,666 Shares were issued and allotted to Goodco, and the total number of issued Shares increased from 1,117,738,010 to 1,518,524,676.

As at 30 September 2022, there was no outstanding convertible notes of the Company.

Placing of New Shares under Specific Mandate

On 27 July 2022, the Placing Agent and the Company entered into a conditional placing agreement (the “**Placing Agreement 2**”) pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum of up to 607,400,000 new Shares at the placing price of HK\$0.068 per placing Share to not less than six (6) placees who and whose ultimate beneficial owners are independent third parties. The placing Shares were allotted

**APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
EMINENCE GROUP**

and issued under the specific mandate granted to the Directors by resolution of the Shareholders passed at a special general meeting of the Company held on 14 September 2022 (the “**Placing under Specific Mandate**”).

On 26 September 2022, all conditions to the Placing Agreement 2 have been fulfilled and the completion of the Placing under Specific Mandate took place. A total of 607,400,000 placing Shares have been successfully placed by the Placing Agent to not less than six (6) placees at the placing price of HK\$0.068 per placing Share pursuant to the terms and conditions of the Placing Agreement 2. The total number of issued Shares increased from 1,518,524,676 to 2,125,924,676.

The net proceeds from the Placing under Specific Mandate (after deducting the placing commission and other relevant costs and expenses) amounted to approximately HK\$40,800,000 will be used for the Group’s general working capital.

Further information can be found in the Company’s announcements dated 27 July 2022, 14 September 2022 and 26 September 2022 respectively and circular dated 23 August 2022.

Update on Use of Proceeds in relation to the Placing under Specific Mandate

The details of an update on the use of proceeds during the Period are set out in the following table:

Expected use of net proceeds	Amount of net proceeds <i>HK\$ million</i> <i>(approximately)</i>	Actual use of	Unutilized	Expected timeline of utilization
		net proceeds up to 30 September 2022 <i>HK\$ million</i> <i>(approximately)</i>	proceeds up to 30 September 2022 <i>HK\$ million</i> <i>(approximately)</i>	
Salaries	12.5	—	12.5	February 2023
Administrative expenses	6.8	—	6.8	February 2023
Finance costs	18.5	—	18.5	February 2023
General working capital	3.0	—	3.0	February 2023
	<u>40.8</u>	<u>—</u>	<u>40.8</u>	

Material Acquisition and Disposals

(1) Discloseable Transaction — Acquisition of Equity Linked Note

On 19 April 2022, Fanju Investments Limited (a direct wholly-owned subsidiary of the Company) acquired an equity linked note (the “ELN”) which is linked to the shares of BOC Hong Kong (Holdings) Limited (stock code: 2388) for a principal amount of HK\$20,000,000 (before expenses). The coupon rate for the ELN was 15% per annum. Such ELN was matured on 6 July 2022. The acquisition constituted a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

Further information can be found in the joint announcement issued by Easyknit International Holdings Limited (“Easyknit”) (stock code: 1218) and the Company dated 20 April 2022.

(2) Discloseable Transaction — Disposals of Listed Securities

Goldchamp International Limited and Clever Wise Holdings Limited, both being indirect wholly-owned subsidiaries of the Company, disposed on-market a total of 3,800,000 shares of China Construction Bank Corporation (stock code: 939) on 7 September 2022 and 9 September 2022 respectively for an aggregate consideration of approximately HK\$18,050,000 (exclusive of expenses) (equivalent to an average price of approximately HK\$4.75 per disposed share). The disposals constituted a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

Further information can be found in the joint announcement issued by Easyknit and the Company dated 13 September 2022.

EMPLOYEES

As at 30 September 2022, the Group had 59 employees (30 September 2021: 63). Staff costs (including the Directors’ emoluments) amounted to approximately HK\$14,308,000 for the Period (2021 Period: approximately HK\$12,749,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has participated in the Mandatory Provident Fund Scheme for all eligible employees of the Group in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. Other benefits to employees include medical and dental scheme and insurance coverage.

PROSPECTS

The Group will continue focusing its efforts on the development of its existing principal businesses, including property development, property investment, investment in securities and others and loan financing business while exploring other potential projects with a view to providing steady and favourable returns to the Shareholders and bringing increased values to the Group's stakeholders.

Despite the increasing uncertainties on global economic growth brought by high inflation, rising interest rates, geo-political tensions and ongoing COVID-19 pandemic, the Group continuously and closely monitors the current situation and remains prudently optimistic about the prospects of the property and securities markets in Hong Kong and believes these markets will continue to grow over the longer term of the Hong Kong markets.

In line with its investment strategy and policy, the Company will continue to identify appropriate investment and divestment opportunities during this challenging period that fit the objective and investment criteria of the Company, and will continue to seek attractive opportunities to replenish its property portfolio as an ongoing business exercise. The Board would exercise utmost caution so as to bring long-term benefits to the operating and financial results of the Company in the foreseeable future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

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FOR THE YEAR ENDED 31 MARCH 2022

FINAL RESULTS

For the year ended 31 March 2022, the Group's consolidated profit attributable to shareholders of the Company (the "Shareholders") was approximately HK\$116,447,000 as compared to the loss attributable to the Shareholders of approximately HK\$180,793,000 last year (2021). The net profit for the year was mainly attributable to, among other things, (i) gain on change in fair value of investment properties; (ii) write-back on properties held for development for sale, net; (iii) gain on settlement of loans receivable by properties; and (iv) decrease in net loss on modification of terms of convertible notes. Such increase in profit was partially offset by (v) decrease in revenue; and (vi) increase in net loss on changes in fair value of financial assets at fair value through profit or loss.

For the year ended 31 March 2022, the Group's revenue amounted to approximately HK\$64,475,000 compared to approximately HK\$80,253,000 last year (2021), which represented a decrease of approximately HK\$15,778,000 or approximately 19.7% as compared to last year (2021). This year's gross profit margin was approximately 95.5% (2021: approximately 95.3%).

The basic and diluted earnings per share for the year ended 31 March 2022 were HK12.50 cents and HK9.77 cents (2021: basic and diluted loss per share were HK19.41 cents and HK19.41 cents) respectively.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: nil).

BUSINESS REVIEW

During the year, the Group was principally engaged in property development, property investment, comprising the ownership and rental of investment properties, investment in securities and others and loan financing business which property development and property investment are the core businesses of the Group. The review of each business segment of the Group is set out below.

(i) Property Development

One of the core businesses of the Group is property development. The Group has extensive experience on property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. Below are the major projects of the Group during the year.

(a) Project Matheson Street

As at 31 March 2022, the Group, through its indirect wholly-owned subsidiary, owned the site at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong. The total area of the site is approximately 2,857 square feet and is currently under construction. After redevelopment, the site will provide a gross floor area of approximately 42,854 square feet of commercial/office mixed-use building. Construction of the project is expected to complete in early 2023.

(b) Project King Lam Street (formerly known as Project Wing Cheong)

As at 31 March 2022, the Group, through its indirect wholly-owned subsidiary, owned the site located at No. 121 King Lam Street, Kowloon, Hong Kong. The site area is approximately 5,483 square feet. The Group plans to redevelop the site into an industrial building with modern amenities, facilities and loading/unloading bays utilizing floor area allowable under all relevant laws and regulations which maximize the usage and potential of the lot to its fullest extent. Foundation work has been completed and the project is expected to complete in late 2023.

(c) Project Kennedy Town

As at 31 March 2022, the Group, through its indirect wholly-owned subsidiaries, owned all the units of (i) Nos. 1B and 1C and Nos. 1D and 1E of Davis Street, Kennedy Town, Hong Kong (“**Davis Street**”); and (ii) Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong (“**Catchick Street**”). The combined site area of Davis Street and Catchick Street is approximately 7,122 square feet. Foundation work has been commenced and the project is expected to complete in 2025.

For further information, please refer to “Material Acquisition and Disposal” section below.

(d) Project Fung Wah

As at 31 March 2022, the Group, through its indirect wholly-owned subsidiaries, owned the site at Fung Wah Factorial Building, Nos. 646, 648 and 648A Castle Peak Road, Kowloon (collectively, the “**Fung Wah Factorial Building**”). On 29 April 2021, the Lands Tribunal’s hearing for an order for sale of the Fung Wah Factorial Building has been concluded on the

decision for an order for sale of the Fung Wah Factorial Building by public auction with reserve price of HK\$800,000,000. On 23 June 2021, Daily Leader Limited (“**Daily Leader**”), Treasure Arts International Group Limited (“**Treasure Arts**”) and Top Lead Investment Limited (“**Top Lead**”), being indirect wholly-owned subsidiaries of the Company, were the successful bidders at the auction and the acquisition of the remaining units of the Fung Wah Factorial Building was completed on 23 July 2021. The total site area is approximately 9,206 square feet. The Group plans to redevelop the Fung Wah Factorial Building into a high-rise modern industrial building to maximize its usage. Demolition work has been completed and foundation work is about to be commenced in July 2022. The project is expected to complete in 2025.

For further information, please refer to “Material Acquisition and Disposal” section below.

(ii) Property Investment

The other core business of the Group is property investment.

During the year, the total rental and management fee income of the Group recorded was approximately HK\$56,745,000 (2021: approximately HK\$61,309,000), representing a decrease of approximately 7.4% over last year (2021). The decrease is primarily attributable to certain properties previously recognized as investment properties in Hong Kong has been demolished for the purposes of property development.

Hong Kong

In Hong Kong, the Group owns residential, commercial and industrial units, and land with attached structure with a total carrying amount of approximately HK\$796,200,000 as at 31 March 2022 (2021: approximately HK\$775,500,000). For the year ended 31 March 2022, the Group recorded property rental income of approximately HK\$27,793,000 (2021: approximately HK\$36,160,000), representing a decrease of approximately 23.1% as compared with 2021.

Singapore

In Singapore, the Group owns 3 residential units with a total carrying amount of approximately HK\$183,680,000 as at 31 March 2022 (2021: approximately HK\$150,467,000). For the year ended 31 March 2022, the Group received property rental income of approximately HK\$2,735,000 (2021: approximately HK\$2,696,000), representing an increase of approximately 1.4% over last year (2021).

The People's Republic of China (the "PRC")

In Huzhou City, Zhejiang Province of the PRC, the Group has 15 blocks of factory premises and 5 blocks of dormitories with a total carrying amount of approximately HK\$387,683,000 as at 31 March 2022 (2021: approximately HK\$359,107,000). For the year ended 31 March 2022, the Group recorded property rental income and management fee income of approximately HK\$8,210,000 and approximately HK\$18,007,000 respectively (2021: approximately HK\$6,420,000 and approximately HK\$16,033,000 respectively), representing an increase of approximately 27.9% and approximately 12.3% respectively as compared with 2021.

(iii) Securities Investment

The Group adopted a prudent attitude in its securities investment. During the year, the Group had acquired listed securities investments and disposed of some equity securities in its investment portfolio. The Group recorded fair value loss in securities and other investments of approximately HK\$17,736,000 (2021: gain of approximately HK\$18,744,000). As a result, the Group reported a segment loss of approximately HK\$33,827,000 (2021: segment profit of approximately HK\$18,814,000) during the year under review. The Group received dividend income from the listed securities of approximately HK\$5,546,000 during the year ended 31 March 2022.

As at 31 March 2022, the Group's investment in equity securities listed in Hong Kong and the United States of America amounted to approximately HK\$52,818,000 (2021: approximately HK\$84,616,000). This value represented an investment portfolio comprising 8 (2021: 7) equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the New York Stock Exchange. The movements during the year were (i) the purchase of securities of approximately HK\$10,164,000; (ii) the disposal of securities which had a fair value of approximately HK\$25,705,000; and (iii) net decrease in market value of securities investments in the amount of approximately HK\$16,257,000.

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The Group held significant securities investments as at 31 March 2022 as below:

Company name (stock code)	Number of shares held	Approximate percentage held to the total issued share capital of the company/investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2022 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2022 HK\$'000	Fair value at 31 March 2022 HK\$'000	Approximate percentage of total assets of the Group at 31 March 2022 %
Best Food Holding Company Limited (1488)	22,618,000	1.43	25,694	—	2,714	18,547	0.38
China Construction Bank Corporation (939)	3,800,000	0.00	22,615	1,332	(2,432)	22,382	0.46
RLX Technology Inc. American depository shares (RLX)	183,346	0.01	17,117	—	(12,225)	2,553	0.05
Other listed shares*	2,405,434	—	11,609	1,966	(4,314)	9,336	0.19
Grand total:			<u>77,035</u>	<u>3,298</u>	<u>(16,257)</u>	<u>52,818</u>	<u>1.08</u>

* Other listed shares included 4 companies and 2 companies whose shares are listed on the Main Board and GEM Board of the Stock Exchange respectively.

The Group considers the prospects in respect of the listed securities investments are healthy. The Group understands that the performance of the investments may be affected by global economic uncertainties and degree of volatility in the Hong Kong financial market and subject to other external factors. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. The Group will also closely monitor the performance progress of the investment portfolio from time to time.

(iv) Loan Financing

The loan financing business of the Group is operated by City China International Limited (“City China”), an indirect wholly-owned subsidiary of the Company which is a licensed money lender carrying on business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Before entering into loan agreements between City China and the borrowers, due diligence work and credit risk assessment, including but not limited to the background, credentials, financial position, historical credit and settlement records, as well as the collateral and guarantees

**APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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of the borrowers are conducted and defined credit limits are granted to the borrowers. Such limits attributed to the borrowers are regularly reviewed by the Group. All borrowers are subject to the Group's internal control mechanism in terms of credit approval and loan assessment procedures. The Group closely monitors on an ongoing review of credit risk of loans recoverability and collection to ensure that follow-up action is promptly taken to recover overdue debts. Details of credit risk and impairment assessment are set out in notes 17 and 35 to the consolidated financial statements.

During the year, the Group recorded interest income from the loan financing business amounting to approximately HK\$7,730,000 (2021: approximately HK\$18,944,000), representing a decrease of approximately 59.2% comparing to last year (2021). The segment profit of loan financing business was approximately HK\$14,296,000 for the year ended 31 March 2022 (2021: segment loss of approximately HK\$35,799,000). The outstanding principal amount of loans receivable as at 31 March 2022 was approximately HK\$94,381,000 (2021: approximately HK\$130,179,000). For the year ended 31 March 2022, impairment allowance of approximately HK\$21,461,000 and gain on settlement of loans receivable by properties of approximately HK\$35,846,000 were recognized in profit or loss in its loan financing business. The Group will continue to develop this segment in order to earn higher interest income.

FINANCIAL REVIEW

	For the year ended 31 March		
	2022	2021	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	64,475	80,253	(15,778)
Gross profit	61,565	76,515	(14,950)
Gross profit margin	95.5%	95.3%	0.2%
Administrative expenses	(50,660)	(44,694)	(5,966)
Finance costs	(20,485)	(28,683)	8,198
Profit (loss) before taxation	123,497	(190,743)	314,240
Taxation (charge) credit	(7,050)	9,950	(17,000)

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	For the year ended 31 March		
	2022	2021	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to shareholders of the Company	116,447	(180,793)	297,240
Net profit margin	180.61%	N/A	N/A
Basic earnings (loss) per share	HK12.50 cents	HK(19.41) cents	HK31.91 cents
Diluted earnings (loss) per share	HK9.77 cents	HK(19.41) cents	HK29.18 cents

Revenue

For the year ended 31 March 2022, the Group's revenue decreased by 19.7% to approximately HK\$64,475,000 as compared with last year (2021) of approximately HK\$80,253,000 which was mainly due to decrease in interest income from loan financing.

Gross Profit/Margin

Gross profit of the Group for the year ended 31 March 2022 was approximately HK\$61,565,000, representing a decrease of approximately 19.5% or approximately HK\$14,950,000 as compared to approximately HK\$76,515,000 in 2021. Gross profit margin for the year reached approximately 95.5% (2021: approximately 95.3%), representing an increase of approximately 0.2% over last financial year.

Profit before Taxation

Profit before taxation of the Group for the year ended 31 March 2022 was approximately HK\$123,497,000, as compared with loss before taxation of approximately HK\$190,743,000 last year (2021).

Administrative expenses of the Group increased by approximately 13.3% to approximately HK\$50,660,000 as compared with last year (2021) of approximately HK\$44,694,000.

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During the year under review, there was net loss on changes in fair value of financial assets at fair value through profit or loss amounting to approximately HK\$17,736,000 (2021: gain of approximately HK\$18,744,000).

Finance costs of the Group for the year was approximately HK\$20,485,000, representing a decrease of approximately HK\$8,198,000 or approximately 28.6% from approximately HK\$28,683,000 in 2021, of which approximately HK\$12,639,000 (2021: approximately HK\$18,393,000) was the effective interest expense on convertible notes.

Profit Attributable to the Shareholders and Earnings per Share

Profit attributable to the Shareholders for the year ended 31 March 2022 was approximately HK\$116,447,000 as compared to loss of approximately HK\$180,793,000 last year (2021).

For this year, the taxation charge was approximately HK\$7,050,000 whilst the taxation credit was approximately HK\$9,950,000 last year (2021).

Basic and diluted earnings per share for the year ended 31 March 2022 were approximately HK12.50 cents and HK9.77 cents respectively as compared to basic and diluted loss per share of approximately HK19.41 cents and HK19.41 cents respectively in 2021.

Liquidity and Financial Resources

As at 31 March 2022, total assets of the Group amounted to approximately HK\$4,879,808,000 (2021: approximately HK\$4,613,337,000). In terms of financial resources as at 31 March 2022, the Group's total bank balances and cash was approximately HK\$82,099,000 (2021: approximately HK\$112,260,000).

As at 31 March 2022, the Group has total bank borrowings of approximately HK\$1,662,307,000 (2021: approximately HK\$1,514,933,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to Shareholders' equity, was approximately 0.6 (2021: approximately 0.5). As at 31 March 2022, the Group's current ratio was approximately 3.8 (2021: approximately 5.5).

The Group financed its operations primarily with recurring cash flow generated from its operations, proceeds raised from the capital market and bank financing.

Share Offer

On 7 April 2021, the shares in respect of which valid acceptances have been received under a pre-conditional voluntary conditional cash offer to acquire all the issued shares of the Company (the “**Share(s)**”) (other than those already owned or agreed to be acquired by the offeror and parties acting in concert with it) at the Share offer price of HK\$0.50 per Share (the “**Share Offer**”), together with the Shares already held or agreed to be acquired by Easyknit International Holdings Limited (“**Easyknit**”) (stock code: 1218), Ace Winner Investment Limited (the “**Offeror**”), a wholly-owned subsidiary of Easyknit, and parties acting in concert with it, exceeded 50% of the voting rights of the Company and the Offeror has waived all of the other conditions to the Share Offer. Accordingly, all of the conditions to the Share Offer have been fulfilled or waived by the Offeror and the Share Offer has been declared unconditional in all respects on 7 April 2021.

Pursuant to Rule 15.3 of the Hong Kong Code on Takeovers and Mergers, the Offeror and the Company jointly announced that the Share Offer closed at 4:00 p.m. on 21 April 2021. Valid acceptances of the Share Offer had been received in respect of 393,683,175 Shares, representing approximately 42.27% of the issued Shares. Taking into account the said Shares, the Offeror and parties acting in concert with it held an aggregate of 669,370,840 Shares, representing approximately 71.86% of the issued Shares as of 4:00 p.m. on 21 April 2021.

On 22 April 2021, Easyknit further acquired on-market a total of 27,000,000 Shares at the price of HK\$0.50 per Share such that Easyknit, the Offeror and parties acting in concert with it held an aggregate of 696,370,840 Shares, representing approximately 74.76% of the issued Shares as at 31 March 2022.

During the year, the Company became a subsidiary of Easyknit.

Further details can be found in the joint announcements issued by the Offeror, Easyknit and the Company dated 7 April 2021 and 21 April 2021 respectively; and the announcement issued by Easyknit dated 22 April 2021.

Capital Reorganisation and Change in Board Lot Size

On 28 January 2022, the Company announced to implement the capital reorganisation (the “**Capital Reorganisation**”) which involved (i) the capital reduction (the “**Capital Reduction**”), pursuant to which the issued share capital of the Company would be reduced by a reduction of the par value of each issued existing Share from HK\$0.20 to HK\$0.01 which reduction would comprise a cancellation of HK\$0.19 of the paid-up capital on each issued existing Share so that each issued existing Share would be treated as one (1) fully paid-up Share of par value of

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HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended from time to time); and (ii) immediately following the Capital Reduction becoming effective, each authorised but unissued existing Share would be sub-divided into twenty (20) authorised but unissued new Shares with a par value of HK\$0.01 each.

Upon all conditions of the Capital Reorganisation being fulfilled, the Capital Reorganisation has become effective on 15 March 2022.

On 28 January 2022, the Company also announced to change the board lot size for trading on the Stock Exchange from 5,000 Shares to 20,000 new Shares conditional upon the Capital Reorganisation becoming effective.

The change in board lot size has become effective on 29 March 2022.

Further information can be found in the Company's announcement dated 28 January 2022 and circular dated 16 February 2022 respectively.

The Placing

On 30 March 2022, Kingston Securities Limited (the "**Placing Agent**") and the Company entered into a conditional placing agreement (the "**Placing Agreement**") pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 186,280,000 new Shares (the "**Placing Shares**") at the placing price of HK\$0.10 per Placing Share to not less than six (6) placees who and whose ultimate beneficial owners are independent third parties (the "**Placing**").

The Placing Shares would be allotted and issued under the general mandate (the "**General Mandate**") granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 13 August 2021 (the "**2021 AGM**") to allot, issue and deal with the Shares subject to the limit up to 20% of the then issued share capital of the Company of 931,458,010 Shares as at the date of the 2021 AGM. Under the General Mandate, the Company was authorised to issue up to 186,291,602 Shares.

Further information can be found in the announcement of the Company dated 30 March 2022, and the section headed "EVENTS AFTER THE END OF THE REPORTING PERIOD" below.

Outstanding Convertible Notes

Below are the particulars of the outstanding convertible notes of the Company as at 31 March 2022:

(1) 2017 Convertible Note 1 (the “2017 CN1”)

Holder of the 2017 CN1	:	Goodco Development Limited
Principal amount	:	HK\$16,000,000
Outstanding principal amount	:	HK\$16,000,000
Interest	:	4% per annum
Issue date	:	11 May 2017
Maturity date	:	28 August 2024
Conversion price	:	HK\$0.25 (subject to adjustment)

During the year, no exercise of the conversion rights under the 2017 CN1 was made and the outstanding principal amount as at the date of this annual report is HK\$16,000,000.

(2) 2017 Convertible Note 2 (the “2017 CN2”)

Holder of the 2017 CN2	:	Goodco Development Limited
Principal amount	:	HK\$28,200,000
Outstanding principal amount	:	HK\$11,280,000
Interest	:	4% per annum
Issue date	:	26 September 2017
Maturity date	:	28 August 2024

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Conversion price : HK\$0.25 (subject to adjustment)

During the year, no exercise of the conversion rights under the 2017 CN2 was made and the outstanding principal amount as at the date of this annual report is HK\$11,280,000.

(3) 2019 Convertible Note (the “2019 CN”)

Holder of the 2019 CN : Goodco Development Limited

Principal amount : HK\$70,000,000

Outstanding principal amount : HK\$70,000,000

Interest : 4% per annum

Issue date : 28 August 2019

Maturity date : 28 August 2024

Conversion price : HK\$0.25* (subject to adjustment)

During the year, no exercise of the conversion rights under the 2019 CN was made and the outstanding principal amount as at the date of this annual report is HK\$70,000,000.

** Upon completion of the Placing on 20 April 2022, the conversion price of the 2019 CN has been adjusted from HK\$0.25 to HK\$0.24 per Share with effect from 20 April 2022.*

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For further information, please refer to the Company's announcement dated 20 April 2022, and the section headed "EVENTS AFTER THE END OF THE REPORTING PERIOD" below.

Capital Structure

As at 31 March 2022, the Company's total number of issued ordinary Shares was 931,458,010 Shares (31 March 2021: 931,458,010 Shares). Upon completion of the Placing on 20 April 2022, the Company's total number of issued ordinary Shares has become 1,117,738,010 Shares.

Further information can be found in the announcement of the Company dated 20 April 2022.

Charges of Assets

As at 31 March 2022, the Group had bank loans amounting to approximately HK\$1,662,307,000 (2021: approximately HK\$1,514,933,000) which were secured by the Group's properties with an aggregate net book value of approximately HK\$939,880,000 (investment properties), HK\$3,020,650,000 (properties held for development for sale) and HK\$12,914,000 (life insurance policies) respectively (2021: approximately HK\$925,967,000, HK\$2,754,027,000 and nil respectively).

Material Acquisition and Disposal

(1) Project Kennedy Town

On 1 March 2021, the Group through its indirect wholly-owned subsidiaries, Nice Able Holdings Limited ("**Nice Able**") and Success Mark Investments Limited ("**Success Mark**"), both of which were the successful bidders at the auction of Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong and have completed the acquisition of the remaining half share of the remaining unit on 1 April 2021. As such, the Group now owns 100% of Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong.

On 30 April 2021, the Company and Easyknit agreed to terminate the sale and purchase agreement dated 5 November 2020 (as supplemented by the supplemental agreement dated 9 November 2020) (the "**Sale and Purchase Agreement**") and entered into the termination agreement, pursuant to which the Company should return the deposit of HK\$10,000,000 to Easyknit and no parties should have any claims against each other and all their rights and obligations under the Sale and Purchase Agreement were terminated and ceased to have further effect.

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Further information can be found in the announcement of the Company dated 1 March 2021 and the joint announcement of the Company and Easyknit dated 30 April 2021.

(2) Project Fung Wah

On 29 April 2021, the Lands Tribunal's hearing for an order for sale of the Fung Wah Factorial Building has been concluded on the decision for an order for sale of the Fung Wah Factorial Building by public auction with reserve price of HK\$800,000,000.

On 23 June 2021, the Group through its indirect wholly-owned subsidiaries, Daily Leader, Treasure Arts and Top Lead, were the successful bidders at the auction and the acquisition of the remaining units of the Fung Wah Factorial Building was completed on 23 July 2021.

Further information can be found in the announcement of the Company dated 23 June 2021.

(3) Deed of Settlement

On 4 March 2022, City China International Limited ("**City China**") (an indirect wholly-owned subsidiary of the Company) and Shui Kam Enterprises Limited ("**Shui Kam**") entered into a deed of settlement (the "**Deed of Settlement**") in relation to the settlement of the outstanding loans under two (2) loan agreements (the "**Loan Agreements**") dated 13 November 2017 and 16 October 2018 respectively (as varied or supplemented by supplemental agreements dated 8 November 2019 and 2 November 2020 respectively) between City China as lender and Shui Kam as borrower. Pursuant to the Deed of Settlement, (a) City China will release Shui Kam from its obligations under the Loan Agreements and, (b) in return, Shui Kam (as beneficial owner of the property situated at Lots Nos. 1278, 1279 and 1280 all in D.D. No. 124 Yuen Long, New Territories, Hong Kong with a site area of approximately 27,879 square feet (the "**Property**") shall transfer the Property (with a valuation of HK\$40,000,000 as at 28 February 2022) to Lion Capital Investment (HK) Limited ("**Lion Capital**") (a subsidiary of Easyknit and the Company), who is the nominee of City China, by the property assignment pursuant to which Shui Kam (as assignor) will transfer the Property to Lion Capital (as assignee); and (c) City China will assign to Shui Kam certain outstanding debts at completion.

The Deed of Settlement is conditional upon (i) the approval by the Shareholders in compliance with the Listing Rules; and (ii) City China being satisfied that Shui Kam has good marketable title to the Property.

Upon despatch of the Company's circular on 25 March 2022, completion took place and the Property was transferred from Shui Kam to Lion Capital by deed of assignment.

Further information can be found in the joint announcement of the Company and Easyknit dated 4 March 2022 and the circular of the Company dated 25 March 2022 respectively.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are denominated in Hong Kong dollars, United States dollars, Singapore dollars and Renminbi. During the year, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Group considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2022 (2021: nil).

Capital Expenditures and Capital Commitments

Capital Expenditures

For the year ended 31 March 2022, the Group invested approximately HK\$1,013,000 (2021: approximately HK\$295,000) in the purchase of property, plant and equipment, and spent approximately HK\$1,433,000 (2021: approximately HK\$4,873,000) on additions of investment properties, and approximately HK\$10,733,000 on additions of intangible assets. These capital expenditures were financed from internal resources and funds from previous fund raising activities of the Company.

Capital Commitments

As at 31 March 2022, the Group had capital commitments in respect of capital expenditures contracted for but not provided of approximately HK\$20,339,000 (2021: approximately HK\$26,236,000).

Update on Use of Proceeds in relation to the Rights Issue

On 6 November 2019, the Company announced a proposed rights issue on the basis of four (4) rights share for every one (1) consolidated share at a subscription price of HK\$0.483 per rights share to raise net proceeds of approximately HK\$353.9 million (the "**Rights Issue**"). Details of the Rights Issue were set out in the Company's announcement dated 6 November 2019, circular dated

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17 December 2019 and prospectus dated 16 January 2020 (the “**Prospectus**”) respectively. The Rights Issue was completed on 11 February 2020, and the number of issued Shares was increased to 931,458,010 Shares.

References are made to (i) the Prospectus in relation to the Rights Issue and announcement dated 10 February 2020 in relation to the results of the Rights Issue; (ii) the annual report of the Company for the year ended 31 March 2020; (iii) the interim report of the Company for the six months ended 30 September 2020; (iv) the supplemental announcement of the Company dated 8 July 2021; (v) the annual report of the Company for the year ended 31 March 2021; and (vi) the interim report of the Company for the six months ended 30 September 2021.

The details of an update on the use of proceeds during the year are set out in the following table:

Project/Property	Purpose	Proposed use of	Actual use of net	Unutilised	Expected timeline of utilization
		net proceeds as disclosed in the Prospectus <i>HK\$ million</i> <i>(approximately)</i>	proceeds up to 31 March 2022 <i>HK\$ million</i> <i>(approximately)</i>	proceeds up to 31 March 2022 <i>HK\$ million</i> <i>(approximately)</i>	
Matheson Street Project	Construction cost for redevelopment	79.0	(79.0)	—	—
Huzhou Properties	Construction cost for properties	25.0	(25.0)	—	—
Wing Cheong Factory Building (now known as Project King Lam Street)	Preliminary cost (including planning, design and demolition cost)	22.1	(22.1)	—	—
Wing Cheong Factory Building (now known as Project King Lam Street)	Additional acquisition cost for remaining units	12.0	(12.0)	—	—
Kennedy Town Properties	Construction cost for redevelopment	15.8	(15.8)	—	—
Fung Wah Factorial Building	Acquisition cost for remaining units	62.0	(62.0)	—	—
Potential acquisition of new properties and other investments		80.0	(80.0)	—	—
Bank loan repayment		4.9	(4.9)	—	—

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Project/Property	Purpose	Proposed use of	Actual use of net	Unutilised	Expected
		net proceeds as disclosed in the Prospectus <i>HK\$ million</i> <i>(approximately)</i>	proceeds up to 31 March 2022 <i>HK\$ million</i> <i>(approximately)</i>	proceeds up to 31 March 2022 <i>HK\$ million</i> <i>(approximately)</i>	timeline of utilization
General working capital		53.1	(53.1)	—	—
		<u>353.9</u>	<u>(353.9)</u>	<u>—</u>	<u>—</u>

As at 31 March 2022, all the proceeds from the Rights Issue were fully utilized.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on its businesses and operations of the Group. During the year ended 31 March 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL PERFORMANCE

The Group is embedded with a strong corporate culture for corporate social responsibilities that forms an integral part of its business strategies. Being a responsible corporate citizen, the Group is committed to the long-term sustainability of the environment in which it operates and support the environmental protection initiatives to conserve the natural resources. The Group understands global implications of climate change and is committed to reducing the potential impact on the environment by its business operations through building awareness of environmental conservation, minimizing carbon footprints, employing green office initiatives and enhancing environmental awareness among employees and other key stakeholders. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and to adopt effective measures in achieving efficient use of resources, energy-saving and waste management. Details are disclosed in the “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT” of this annual report.

KEY RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and prospects are subject to a number of directly or indirectly business risks and uncertainties. In general, volatility in the worldwide financial markets, COVID-19 pandemic, fluctuations in commodity prices and increasing energy costs, strong inflationary pressures, potential interest rate hikes, political turbulence, international trade competition and supply chain disruptions have all contributed to the increased uncertainty of global economic prospects.

Climate change poses different risks to the Group's businesses. Apart from physical risks such as rising earth's temperature and sea level, increasing greenhouse gas and extreme weather condition, have already created and will continue to create, resulting in a number of negative effects to the environment and the Group's assets, businesses and supply chain management which may pose increased risks for the Group's stakeholders such as employees, customers and suppliers.

Faced with such daunting macro-economic and geo-political risks and uncertainties, the Group devotes considerable effort to focus on developing its core businesses and to explore new market opportunities in order to create and realize long-term values to the Shareholders and its key stakeholders.

EMPLOYEES

As at 31 March 2022, the Group had 64 employees (2021: 62). Staff costs (including the Directors' emoluments) amounted to approximately HK\$27,898,000 for the year ended 31 March 2022 (2021: approximately HK\$24,187,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has participated in the Mandatory Provident Fund Scheme for all eligible employees of the Group in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. Other benefits to employees include medical and dental scheme and insurance coverage.

PROSPECTS

The Group will continue focusing its efforts on the development of its existing principal businesses, including property development, property investment, investment in securities and others and loan financing businesses while exploring other potential projects with a view to providing steady and favourable returns for the Shareholders and bringing increased growth to the Group.

**APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
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Despite the prevailing uncertainties on global economic outlook caused by the softening worldwide economic growth and the multiple waves of COVID-19, the Group is prudently optimistic about the prospects of the property and securities markets in Hong Kong and believes these markets will continue to grow over the longer term.

In line with its investment strategy and policy, the Company will continue to identify appropriate investment and divestment opportunities that fit the objective and investment criteria of the Company, and will continue to seek suitable opportunities to replenish its property portfolio as an ongoing business exercise. The Board would exercise utmost caution so as to bring long-term values to the operating and financial results to the Company in the foreseeable future.

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FOR THE YEAR ENDED 31 MARCH 2021

FINAL RESULTS

For the year ended 31 March 2021, the Group's loss attributable to shareholders of the Company (the "Shareholders") was approximately HK\$180,793,000 as compared to the loss attributable to the Shareholders of approximately HK\$206,192,000 last year (2020). The decrease in loss for the year was mainly attributable to, among other things, (i) decrease in fair value losses of investment properties and properties held for development for sale; and (ii) net gain on changes in fair value of financial assets through profit and loss during the year. Such decrease in loss was partially offset by (iii) net loss on modification of terms of convertible notes during the year; (iv) increase in impairment loss on loans receivable; and (v) gain on disposal of subsidiary recognized in last year. This year's gross profit margin was approximately 95.3% (2020: approximately 94.8%), and consolidated revenue slightly decreased by approximately 0.5%.

For the year ended 31 March 2021, the Group's revenue amounted to approximately HK\$80,253,000 compared to approximately HK\$80,682,000 last year, which represented a decrease of approximately HK\$429,000 or approximately 0.5% as compared to last year (2020).

The basic and diluted loss per share for the year ended 31 March 2021 were HK19.41 cents and HK19.41 cents (2020: basic and diluted loss per share were HK70.68 cents and HK70.68 cents) respectively.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2021 (2020: nil).

BUSINESS REVIEW

During the year, the Group was principally engaged in property development, property investment, comprising the ownership and rental of investment properties, investment in securities and loan financing business which property development and property investment are the core businesses of the Group. The review of the individual business segments of the Group are set out below.

(i) Property Development

One of the core businesses of the Group is property development. The Group has extensive experience on property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. Below are the major projects of the Group during the year.

1. Project Matheson Street

As at 31 March 2021, the Group, through its wholly-owned subsidiary, owned the site at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong. The total area of the site is approximately 2,857 square feet and is currently under construction. After redevelopment, the site will provide a gross floor area of approximately 42,778 square feet of commercial/office mixed-use building. The construction of superstructure is ongoing. The project is expected to complete in February 2022.

2. Project Wing Cheong

As at 31 March 2021, the Group, through its wholly-owned subsidiary, owned Wing Cheong Factory Building (the “**Wing Cheong Factory Building**”), a building located at No. 121 King Lam Street, Kowloon, Hong Kong. The site area is approximately 5,483 square feet. The Group plans to redevelop the Wing Cheong Factory Building into an industrial building with modern amenities, facilities and loading/unloading bays utilizing floor area allowable under all relevant laws and regulations which maximize the usage and potential of the lot to its fullest extent. Foundation work is ongoing and the project is expected to complete in December 2023.

3. Project Kennedy Town

As at 31 March 2021, the Group owned all the units of Nos. 1B and 1C and Nos. 1D and 1E of Davis Street, Kennedy Town, Hong Kong respectively. The registered site area is approximately 4,940 square feet.

On 22 July 2020, the Group, through its indirect wholly-owned subsidiary, Nice Able Holdings Limited (“**Nice Able**”) (which was acquired on 22 June 2020), completed the acquisition of all the units at No. 93 Catchick Street, Hong Kong and the units on G/F., 1/F., 3/F., 4/F., 5/F., and Roof at No. 95 Catchick Street, Hong Kong. On 31 December 2020, Nice Able further completed the acquisition of half share of 2/F., No. 95 Catchick Street, Hong Kong (the “**Remaining Unit**”). On 1 March 2021, Nice Able and its wholly-owned subsidiary, Success Mark

Investment Limited (“**Success Mark**”) were the successful bidders at the auction of Nos. 93 and 95 Catchick Street, Hong Kong such that the Group now owns 100% of Nos. 93 and 95 Catchick Street, Hong Kong, which has a total site area of approximately 2,182 square feet.

For further information, please refer to “Material Acquisitions and Disposal” section below.

4. *Project Fung Wah*

As at 31 March 2021, the Group, through its wholly-owned subsidiaries, owns approximately 93.33% of Fung Wah Factorial Building, Nos. 646, 648 and 648A Castle Peak Road, Kowloon (collectively, the “**Fung Wah Factorial Building**”). On 6 September 2019, the Company filed an application under the Land (Compulsory Sale for Redevelopment) Ordinance (the “**Ordinance**”) (Chapter 545 of the Laws of Hong Kong) to the Lands Tribunal for an order to auction all the undivided shares of the Fung Wah Factorial Building (including those owned by the Group) for the purposes of redevelopment of the site, with an intention to bid in the auction and acquire all remaining units of the Fung Wah Factorial Building. On 19 February 2021, the Company successfully obtained the Shareholders’ approval at the Company’s special general meeting to have a mandate for possible very substantial disposal if the Group is not successful in the auction. If the Group successfully acquires all the units of the Fung Wah Factorial Building, the tentative plan is to redevelop the site into a high-rise modern industrial building to maximize its usage of the site.

For further information, please refer to “Material Acquisitions and Disposal” section below.

(ii) Property Investment

The other core business of the Group is property investment.

During the year, the total rental and management fee income of the Group recorded was approximately HK\$61,309,000 (2020: approximately HK\$61,142,000), representing an increase of approximately 0.3% over last year. The increase is primarily due to the contributions from rental income from properties in the People’s Republic of China (the “**PRC**”) and continued management of tenant mix during the year under review.

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

12-month period from the date of approval. Details of the disposal and the mandate can be found in the Company's announcement dated 12 July 2019 and circular dated 30 August 2019 respectively. During the period from 1 April 2020 to 31 March 2021, the Group did not dispose any CSCE shares and therefore, the Group still owned a total of 6,313,000 CSCE shares as at 31 March 2021.

On 7 December 2020, the Group acquired on-market a total of 3,800,000 shares of China Construction Bank Corporation (stock code: 939) for an aggregate purchase price of approximately HK\$22,534,000 (exclusive of transaction costs) (equivalent to an average price of approximately HK\$5.93 per acquired share).

On 22 January 2021, the Company acquired 394,275 American Depository Shares ("ADS") in the initial public offering of RLX Technology Inc. ("RLX", the shares of which are listed on the New York Stock Exchange) at the price of US\$12.00 per acquired RLX ADS (equivalent to approximately HK\$93.00) (exclusive of transaction costs) at a total consideration of approximately US\$4,731,000 (equivalent to approximately HK\$36,668,000) (exclusive of transaction costs). Subsequently, the Company disposed on-market a total of 210,929 RLX ADS at an average price of approximately US\$21.9321 per disposed RLX ADS (equivalent to approximately HK\$169.97) (exclusive of transaction costs) for an aggregate selling price of approximately US\$4,626,000 (equivalent to approximately HK\$35,852,000) (exclusive of transaction costs). A gain of approximately US\$2,095,000 (equivalent to approximately HK\$16,236,000) (exclusive of transaction costs) was recognized.

On 8 March 2021, the Group acquired on-market a total of 680,000 shares of Chinese Energy Holdings Limited (stock code: 8009) for an aggregate purchase price of HK\$489,600 (exclusive of transaction costs) (equivalent to an average price of HK\$0.72 per acquired share).

As at 31 March 2021, the Group's investment in equity securities listed in Hong Kong and the United States of America amounted to approximately HK\$84,616,000 (2020: approximately HK\$39,606,000). This value represented an investment portfolio comprising 7 (2020: 5) equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the New York Stock Exchange. The movement during the year were: (i) the purchase of securities of approximately HK\$65,861,000 during the year under review; (ii) the disposal of securities which had a fair value of approximately HK\$34,921,000; and (iii) net increase in market value of securities investments in the amount of approximately HK\$14,070,000.

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The Group held significant securities investments as at 31 March 2021 as below:

Company name (stock code)	Number of shares held	Approx. % held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2021 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2021 HK\$'000	Fair value at 31 March 2021 HK\$'000	Approx. % of total assets of the Group at 31 March 2021 %
China SCE Group Holdings Ltd. (1966)	6,313,000	0.15	10,451	1,569	947	22,664	0.49
Best Food Holding Company Limited (1488)	27,050,000	1.71	29,706	—	273	18,935	0.41
China Construction Bank Corporation (939)	3,800,000	0.00	22,615	—	2,199	24,814	0.54
RLX Technology Inc. American depository shares (RLX)	183,346	0.01	17,065	—	(2,364)	14,702	0.32
Other listed shares*	868,150	—	4,162	—	(292)	3,501	0.08
Grand total:			<u>83,999</u>	<u>1,569</u>	<u>763</u>	<u>84,616</u>	<u>1.84</u>

* Other listed shares included 3 companies whose shares are listed on the Main Board of the Stock Exchange.

The Group understands that the performance of the investments may be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. Also, the Group will closely monitor the performance progress of the investment portfolio from time to time.

(iv) Loan Financing

During the year, the Group recorded interest income from the loan financing business amounting to approximately HK\$18,944,000 (2020: approximately HK\$19,540,000), representing a decrease of approximately 3.1% comparing to last year. The segment loss of loan financing business was approximately HK\$35,799,000 for the year ended 31 March 2021 (2020: profit of approximately HK\$6,060,000). The outstanding principal amount of loans receivable as at 31 March 2021 was approximately HK\$130,179,000 (2020: approximately HK\$329,969,000). As at 31

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March 2021, net impairment allowance was recognized in profit or loss amounting to approximately HK\$45,685,000 in its loan financing business. The Group will continue to develop this segment in order to earn higher interest income.

FINANCIAL REVIEW

	Year ended 31 March		Change HK\$'000
	2021 HK\$'000	2020 HK\$'000	
Revenue	80,253	80,682	(429)
Gross profit	76,515	76,455	60
Gross profit margin	95.3%	94.8%	0.5%
Administrative expenses	(44,694)	(52,472)	7,778
Finance costs	(28,683)	(31,578)	2,895
Loss before taxation	(190,743)	(209,657)	18,914
Taxation	9,950	3,465	6,485
Loss for the year attributable to shareholders of the Company	(180,793)	(206,192)	25,399
Net profit margin	N/A	N/A	N/A
Basic loss per share	HK(19.41) cents	HK(70.68) cents	HK51.27 cents
Diluted loss per share	HK(19.41) cents	HK(70.68) cents	HK51.27 cents

Revenue

For the year ended 31 March 2021, the Group's revenue decreased by approximately 0.5% to approximately HK\$80,253,000 as compared with last year of approximately HK\$80,682,000 which was mainly due to decrease in interest income from loan financing.

Gross Profit/Margin

Gross profit of the Group for the year ended 31 March 2021 was approximately HK\$76,515,000, representing an increase of approximately 0.1% or approximately HK\$60,000 as compared to approximately HK\$76,455,000 in 2020. Gross profit margin for the year reached approximately 95.3% (2020: approximately 94.8%), representing an increase of approximately 0.5% over last financial year.

Loss before Taxation

Loss before taxation of the Group for the year ended 31 March 2021 was approximately HK\$190,743,000, as compared with last year loss before taxation of approximately HK\$209,657,000.

Administrative expenses of the Group decreased from approximately HK\$52,472,000 to approximately HK\$44,694,000, a decrease of approximately 14.8% as compared with last year.

During the year under review, there was net gain on changes in fair value of financial assets at fair value through profit or loss amounting to approximately HK\$18,744,000 (2020: loss of approximately HK\$20,429,000).

Finance costs of the Group for the year was approximately HK\$28,683,000, representing a decrease of approximately HK\$2,895,000 or approximately 9.2% from approximately HK\$31,578,000 in 2020, of which approximately HK\$18,393,000 (2020: approximately HK\$16,741,000) was the effective interest expense on convertible notes.

Loss Attributable to the Shareholders and Loss per Share

Loss attributable to the Shareholders for the year ended 31 March 2021 was approximately HK\$180,793,000 as compared to last year loss of approximately HK\$206,192,000.

For this year, the taxation credit was approximately HK\$9,950,000 whilst last year the taxation credit was approximately HK\$3,465,000.

Basic and diluted loss per share for the year ended 31 March 2021 were approximately HK19.41 cents and HK19.41 cents respectively as compared to basic and diluted loss per share of approximately HK70.68 cents and HK70.68 cents respectively in 2020.

Liquidity and Financial Resources

As at 31 March 2021, total assets of the Group amounted to approximately HK\$4,613,337,000 (2020: approximately HK\$4,602,993,000). In terms of financial resources as at 31 March 2021, the Group's total bank balances and cash was approximately HK\$112,260,000 (2020: approximately HK\$357,767,000).

As at 31 March 2021, the Group has total bank borrowings of approximately HK\$1,514,933,000 (2020: approximately HK\$1,431,740,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to Shareholders' equity, was approximately 0.5 (2020: approximately 0.5). As at 31 March 2021, the Group's current ratio was approximately 5.5 (2020: approximately 5.9).

The Group financed its operations primarily with recurring cash flow generated from its operations, proceeds raised from the capital market and bank financing.

Share Offer

On 11 February 2021, the Company and Easyknit International Holdings Limited ("**Easyknit**") (stock code: 1218) jointly announced that Ace Winner Investment Limited (the "**Offeror**"), a wholly-owned subsidiary of Easyknit, intended to make a pre-conditional voluntary conditional cash offer to acquire all the issued shares (the "**Share(s)**") of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the share offer price of HK\$0.50 per Share (the "**Share Offer**"). On 19 March 2021, the pre-condition of the Share Offer (that is, the requisite approval being obtained by Easyknit from the Easyknit shareholders in relation to the Share Offer as required under the Listing Rules) has been fulfilled and the composite offer and response document (the "**Composite Document**") in connection with the Share Offer in accordance with the Hong Kong Code on Takeovers and Mergers was despatched on 26 March 2021 and the Share Offer opened on the same day.

Further details of the Share Offer are set out in the Composite Document jointly issued by the Offeror and the Company dated 26 March 2021 and the joint announcements issued by the Offeror, Easyknit and the Company dated 4 March 2021, 19 March 2021 and 25 March 2021 respectively.

For further information, please refer to the section headed "EVENTS AFTER THE END OF THE REPORTING PERIOD" in the Directors' Report.

Outstanding Convertible Notes

Below are the particulars of the outstanding convertible notes of the Company as at 31 March 2021:

(1) 2017 Convertible Note 1 (the “2017 CN1”)

Holder of the 2017 CN1	:	Goodco Development Limited
Principal amount	:	HK\$16,000,000
Outstanding principal amount	:	HK\$16,000,000
Interest	:	4% per annum
Issue date	:	11 May 2017
Maturity date	:	28 August 2024
Conversion price	:	HK\$0.25 (subject to adjustment)

During the year, no exercise of the conversion rights under the 2017 CN1 was made and the outstanding principal amount as at the date of this annual report is HK\$16,000,000.

(2) 2017 Convertible Note 2 (the “2017 CN2”)

Holder of the 2017 CN2	:	Goodco Development Limited
Principal amount	:	HK\$28,200,000
Outstanding principal amount	:	HK\$11,280,000
Interest	:	4% per annum
Issue date	:	26 September 2017
Maturity date	:	28 August 2024
Conversion price	:	HK\$0.25 (subject to adjustment)

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During the year, no exercise of the conversion rights under the 2017 CN2 was made and the outstanding principal amount as at the date of this annual report is HK\$11,280,000.

(3) 2019 Convertible Note (the “2019 CN”)

Holder of the 2019 CN	:	Goodco Development Limited
Principal amount	:	HK\$70,000,000
Outstanding principal amount	:	HK\$70,000,000
Interest	:	4% per annum
Issue date	:	28 August 2019
Maturity date	:	28 August 2024
Conversion price	:	HK\$0.25 (subject to adjustment)

During the year, no exercise of the conversion rights under the 2019 CN was made and the outstanding principal amount as at the date of this annual report is HK\$70,000,000.

On 18 September 2020, the Company and Goodco Development Limited (“**Goodco**”) entered into three deeds of amendment in respect of the proposed alteration, pursuant to which both parties agreed to (a) revise the conversion price of the 2017CN1, 2017CN2 and 2019CN (collectively, the “**Goodco CNs**”) to HK\$0.25 per conversion share (subject to adjustment); (b) extend the maturity date of the Goodco CNs to 28 August 2024; and (c) increase the interest payable to 4% per annum (the “**Alteration**”). The Alteration was approved by the independent Shareholders on 19 November 2020 and completion took place on 25 November 2020.

For further information, please refer to the Company’s announcements dated 21 September 2020, 19 November 2020 and 25 November 2020 and circular dated 30 October 2020 respectively.

Capital Structure

As at 31 March 2021, the Company’s total number of issued ordinary Shares was 931,458,010 Shares (31 March 2020: 931,458,010 Shares).

Charges of Assets

As at 31 March 2021, the Group had bank loans amounting to approximately HK\$1,514,933,000 (2020: approximately HK\$1,431,740,000) which were secured by the Group's properties with an aggregate net book value of approximately HK\$925,967,000 (investment properties) and approximately HK\$2,754,027,000 (properties held for development for sale) respectively (2020: approximately HK\$925,149,000 and HK\$2,441,200,000).

Material Acquisitions and Disposal

1. Project Kennedy Town

On 6 April 2020, Success Edge Limited (“**Success Edge**”), a wholly-owned subsidiary of the Company, as buyer, and an independent third party, as seller, entered into an agreement for sale and purchase, pursuant to which, among other things, the buyer conditionally agreed to buy and take up, and the seller conditionally agreed to sell and assign, the entire issued share capital of Nice Able and its shareholder's loan at a consideration of approximately HK\$89,116,000 subject to the terms and conditions of the agreement for sale and purchase. Nice Able was committed to (i) acquire the entire issued share capital of Success Mark (the registered and beneficial owner of the unit on G/F., No. 93 Catchick Street, Hong Kong) and a loan to it; and (ii) acquire the units on 1/F., 2/F., 3/F., 4/F., 5/F., and Roof, No. 93 Catchick Street, Hong Kong and the units on G/F., 1/F., 3/F., 4/F., 5/F., and Roof, No. 95 Catchick Street, Hong Kong from the respective property vendors. The agreement for sale and purchase was approved by the Shareholders at the special general meeting of the Company on 8 June 2020. Completion of the agreement for sale and purchase took place on 22 June 2020, and Nice Able became an indirect wholly-owned subsidiary of the Company. On 31 December 2020, Nice Able further completed the acquisition of half share of the Remaining Unit. On 1 March 2021, Nice Able and Success Mark were the successful bidders at the auction of Nos. 93 and 95 Catchick Street, Hong Kong.

Details of the transaction can be found in the Company's announcements dated 6 April 2020, 29 April 2020, 15 May 2020, 30 October 2020 and 1 March 2021 respectively and circulars dated 21 May 2020 and 4 December 2020 respectively.

On 5 November 2020 (as supplemented by a supplemental agreement dated 9 November 2020), the Company and Easyknit entered into a sale and purchase agreement, pursuant to which, among other things, Easyknit conditionally agreed to purchase, and the Company conditionally agreed to sell, the entire issued shares of Above Ace Limited (“**Above Ace**”) and Success Edge, both being wholly-owned subsidiaries of the Company, and the Company agreed to procure the assignment to Easyknit of each of the shareholders' loans owing by Above Ace and Success Edge

to the Company at completion, at an aggregate consideration of HK\$1,100,000,000 (subject to adjustments). Completion of the sale and purchase agreement is subject to the independent Shareholders' approval and is conditional on the Company's successful bid for Nos. 93 and 95 Catchick Street, Hong Kong in the public auction pursuant to the Ordinance.

Further information can be found in the joint announcements of the Company and Easyknit dated 9 November 2020, 4 January 2021, 22 January 2021, 19 February 2021 and 31 March 2021 respectively.

2. *Project Fung Wah*

On 17 November 2020, Skill Master Investments Limited ("**Skill Master**") (as purchaser), a wholly-owned subsidiary of the Company, entered into a conditional agreement for sale and purchase (the "**SPA**") with an independent third party as vendor, pursuant to which, among other things, Skill Master conditionally agreed to acquire and take up, and the vendor conditionally agreed to sell and assign, the entire issued share capital of Upway International Group Limited ("**Upway International**") and the shareholder's loan owing by Upway International to the vendor on the completion date at a consideration of HK\$45,000,000 subject to the terms and conditions of the SPA. On 25 November 2020, completion took place and Upway International became a wholly-owned subsidiary of the Company, and the Group now owns 29 units, representing approximately 93.33% of the undivided shares of Fung Wah Factorial Building, Nos. 646, 648 and 648A Castle Peak Road, Kowloon, Hong Kong.

Further information can be found in the Company's announcement dated 17 November 2020.

For further information, please refer to the section headed "EVENTS AFTER THE END OF THE REPORTING PERIOD" in the Directors' Report.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in United States dollars, Hong Kong dollars, Singapore dollars and Renminbi. During the year, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Group considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2021 (2020: nil).

Capital Expenditure and Capital Commitments

Capital Expenditure

For the year ended 31 March 2021, the Group invested approximately HK\$295,000 (2020: approximately HK\$4,664,000) in the purchase of property, plant and equipment, and spent approximately HK\$4,873,000 (2020: approximately HK\$3,518,000) on addition of investment properties. These capital expenditures were financed from internal resources, bank facilities and funds from previous fund raising activities of the Company.

Capital Commitments

As at 31 March 2021, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$26,236,000 (2020: approximately HK\$33,891,000).

Update on Use of Proceeds in relation to the Rights Issue

On 6 November 2019, the Company announced a proposed rights issue on the basis of four (4) rights share for every one (1) consolidated share at a subscription price of HK\$0.483 per rights share to raise net proceeds of approximately HK\$353.9 million (the “**Rights Issue**”). Details of the Rights Issue were set out in the Company’s announcement dated 6 November 2019, circular dated 17 December 2019 and prospectus dated 16 January 2020 (the “**Prospectus**”) respectively. The Rights Issue was completed on 11 February 2020, and the number of issued Shares was increased to 931,458,010 Shares.

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References are made to (i) the Prospectus in relation to the Rights Issue and announcement dated 10 February 2020 in relation to the results of the Rights Issue; (ii) the annual report of the Company for the year ended 31 March 2020; (iii) the interim report of the Company for the six months ended 30 September 2020; and (iv) the supplemental announcement of the Company dated 8 July 2021. The details of an update on the use of proceeds during the year ended 31 March 2021 and expected timeline of utilisation as of 31 March 2021 are set out in the following table:

Project/Property	Purpose	Proposed use	Actual use of	Unutilised	Expected
		of net proceeds as disclosed in the Prospectus	net proceeds as of 31 March 2021		
		<i>HK\$'million</i> <i>(approximately)</i>	<i>HK\$'million</i> <i>(approximately)</i>	<i>HK\$'million</i> <i>(approximately)</i>	
Matheson Street Project	Construction cost for redevelopment	79.0	(33.1)	45.9	February 2022
Huzhou Properties	Construction cost for properties	25.0	(18.1)	6.9	July 2022
Wing Cheong Factory Building	Preliminary cost (including planning, design and demolition cost)	22.1	(15.4)	6.7	June 2021
Wing Cheong Factory Building	Additional acquisition cost for remaining units	12.0	(12.0)	—	—
Kennedy Town Properties	Construction cost for redevelopment	15.8	(14.2)	1.6	December 2021
Fung Wah Factorial Building	Acquisition cost for remaining units	62.0	(56.4)	5.6	September 2021
Potential acquisition of new properties and other investments		80.0	(80.0)	—	—
Bank loan repayment		4.9	(4.9)	—	—
General working capital		53.1	(53.1)	—	—
		353.9	(287.2)	66.7	

As at 31 March 2021, the Company did not change the purpose and use of the proceeds as disclosed in the Prospectus and the unutilised proceeds from the Rights Issue will be applied in accordance with the intended uses as disclosed.

EMPLOYEES

As at 31 March 2021, the Group had 62 employees (2020: 55). Staff costs including Directors' emoluments) amounted to approximately HK\$24,187,000 for the year under review (2020: approximately HK\$23,336,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

PROSPECTS

The Group will continue focusing its efforts on the development of its existing principal businesses: property development, property investment, securities investment and loan financing business while exploring other potential projects with a view to providing steady and favourable returns for the Shareholders and bring increased growth to the Group.

Despite the uncertainties on global economic outlook caused by the softening global economic growth and the outbreak of coronavirus disease (COVID-19), the Group is prudently optimistic about the prospects of the property and securities markets in Hong Kong and believes these markets will continue to grow over the longer term.

In line with its prudent investment strategy and policy, the Company will continue to identify appropriate investment and divestment opportunities that fit the objective and investment criteria of the Company, and will continue to seek opportunities to replenish its property portfolio as an ongoing business exercise. The Board would exercise utmost caution, so as to bring long term value on the operating and financial results to the Company in the foreseeable future.

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

FOR THE YEAR ENDED 31 MARCH 2020

FINAL RESULTS

For the year ended 31 March 2020, the Group's loss attributable to shareholders of the Company (the "Shareholders") was approximately HK\$206,192,000 as compared to the profit attributable to the Shareholders of approximately HK\$50,510,000 last year (2019). The loss for the year was mainly attributable to, among other things, (i) loss on changes in fair value of investment properties; (ii) write-down on properties held for development for sale; and (iii) net loss on modification of terms of convertible note issued by the Company. Such loss was partially offset by the increase in rental income from newly acquired properties and gain on the disposal of subsidiaries during the year. This year's gross profit margin was approximately 94.8% (2019: approximately 94.7%), and consolidated revenue advanced by approximately 29.7%.

For the year ended 31 March 2020, the Group's revenue amounted to approximately HK\$80,682,000 compared to approximately HK\$62,228,000 last year, which represented an increase of approximately HK\$18,454,000 or approximately 29.7% as compared to last year (2019).

The basic and diluted loss per share for the year ended 31 March 2020 were HK70.68 cents and HK70.68 cents (2019: basic and diluted earnings per share were HK33.46 cents and HK32.10 cents) respectively.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: nil).

BUSINESS REVIEW

During the year, the Group was principally engaged in property development, property investment, comprising the ownership and rental of investment properties, investment in securities and loan financing business which property development and property investment are the core businesses of the Group. The review of the individual business segments of the Group are set out below.

(i) Property Development

One of the core businesses of the Group is property development. The Group has extensive experience on property redevelopment, in particular, acquisition of old buildings for renewal and redevelopment. Below are the major projects of the Group during the year.

1. Project Matheson

As at 31 March 2020, the Group, through its wholly-owned subsidiary, owns the site at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong. The total area of the site is approximately 2,857 sq. ft. and is currently under construction. After redevelopment, the site will provide a gross floor area of approximately 42,778 sq. ft. of commercial/office mixed-use building. The project is expected to complete in the fourth quarter of 2021.

2. Project Wing Cheong

During the year, the Group, through its wholly-owned subsidiary, successfully completed the acquisition of 100% of Wing Cheong Factory Building (the “**Wing Cheong Factory Building**”), a building located at No. 121 King Lam Street, Kowloon, Hong Kong, through the compulsory sale. The site area is approximately 5,483 sq. ft. The Group plans to redevelop the Wing Cheong Factory Building into an industrial building with modern amenities, facilities and loading/unloading bays utilizing floor area allowable under all relevant laws and regulations which maximize the usage and potential of the lot to its fullest extent.

For further information, please refer to “Material Acquisitions and Disposals” section below.

3. Project Kennedy Town

On 23 September 2019 and 31 October 2019, the Group completed the acquisition of all the units of Nos. 1B and 1C and Nos. 1D and 1E of Davis Street, Kennedy Town, Hong Kong respectively. The registered site area is approximately 4,940 sq. ft. The Company plans to demolish the properties on the site and redevelop the site into a commercial/residential development.

For further information, please refer to “Material Acquisitions and Disposals” section below.

4. *Project Fung Wah*

As at 31 March 2020, the Group, through its wholly-owned subsidiaries, owns approximately 90.83% of Fung Wah Factorial Building, Nos. 646, 648 and 648A Castle Peak Road, Kowloon (collectively, the “**Fung Wah Factorial Building**”). On 6 September 2019, the Company filed an application under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong) to the Lands Tribunal for an order to auction all the undivided shares of the Fung Wah Factorial Building (including those owned by the Group) for the purposes of redevelopment of the site. If the Group successfully acquires all the units of the Fung Wah Factorial Building, the tentative plan is to redevelop the site into a high-rise composite commercial building to maximize its usage of the site.

For further details, please refer to “Material Acquisitions and Disposals” section below.

(ii) Property Investment

The other core business of the Group is property investment.

During the year, the total rental and management fee income of the Group recorded was approximately HK\$61,142,000 (2019: approximately HK\$42,627,000), representing a 43.4% increase over the last year. The increase is primarily due to the contributions from newly acquired properties, as well as continued management of tenant mix, rental revision at major investment properties and properties held for development for sale during the year under review.

Hong Kong

In Hong Kong, the Group owns residential units, commercial units and industrial units with a total carrying amount of approximately HK\$777,100,000 as at 31 March 2020 (2019: approximately HK\$1,129,400,000). For the year ended 31 March 2020, the Group recorded property rental income of approximately HK\$39,945,000 (2019: approximately HK\$23,339,000), representing an increase of approximately 71.2% as compared with 2019.

One of the major property investment projects of the Group during the year was the disposal of the office units and car parks at Capital Centre, No. 151 Gloucester Road, Hong Kong (“**Capital Centre**”). On 24 May 2019, the Group successfully disposed of Capital Centre at a consideration of HK\$361,600,000 through an open tender to an independent third party. Through such disposal, the Group recorded a gain on disposal of subsidiaries of approximately HK\$57,511,000.

For further information, please refer to “Material Acquisitions and Disposals” section below.

Singapore

In Singapore, the Group owns 3 residential units with a total carrying amount of approximately HK\$148,049,000 as at 31 March 2020 (2019: approximately HK\$159,831,000). For the year ended 31 March 2020, the Group received property rental income of approximately HK\$2,739,000 (2019: approximately HK\$2,840,000), representing a 3.6% decrease over the last year.

People’s Republic of China (the “PRC”)

In Huzhou City, Zhejiang Province of the PRC, the Group has 15 blocks of factory premises and 5 blocks of dormitories with a total carrying amount of approximately HK\$337,424,000 at 31 March 2020 (2019: approximately HK\$374,130,000). For the year ended 31 March 2020, the Group recorded property rental income and management fee income of approximately HK\$5,010,000 and approximately HK\$13,448,000 respectively (2019: approximately HK\$5,673,000 and approximately HK\$10,775,000 respectively), representing a decrease of approximately 11.7% and an increase of approximately 24.8% respectively as compared with 2019.

(iii) Securities Investment

The Group adopted a prudent attitude in its securities investment. During the year, the Group had acquired listed securities and disposed of some shares in the investment portfolio. One of which was the disposal of the shares of China SCE Group Holdings Limited (“CSCE”) (stock code: 1966). The Company on 16 September 2019 successfully obtained the Shareholders’ approval at the special general meeting of the Company to dispose of all or in part(s) of the 6,800,000 CSCE shares held by the Group during the 12-months from the date of approval. Details of the disposal and the mandate can be found in the announcement dated 12 July 2019 and circular dated 30 August 2019 published by the Company. During the period from 16 September 2019 to 31 March 2020, the Group disposed of a total of 487,000 CSCE shares and therefore the Group owns a total of 6,313,000 CSCE shares as at 31 March 2020. The gross proceeds and net proceeds arising from such disposal was approximately HK\$1,944,000 and approximately HK\$1,937,000 respectively and the average selling price per CSCE share was approximately HK\$3.99. The gain from such disposal (excluding transaction costs) was HK\$1,149,750. The Group had applied the net proceeds of HK\$1,937,000 on general working capital.

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

The Group recorded fair value loss in securities investment of approximately HK\$20,429,000 (2019: loss of approximately HK\$16,283,000). As a result, the Group reported a segment loss of approximately HK\$22,450,000 (2019: segment loss of approximately HK\$16,500,000) during the year under review. The Group received dividend income from the listed securities of approximately HK\$1,741,000 during the year under review.

At 31 March 2020, the Group's investment in equity securities listed in Hong Kong amounted to approximately HK\$39,606,000 (2019: approximately HK\$56,338,000). This value represented an investment portfolio comprising 5 (2019: 4) equity securities which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The movement during the year were: (i) the purchase of securities of approximately HK\$9,878,000 during the year under review; (ii) the disposal of securities which had a fair value of approximately HK\$6,319,000; and (iii) net decrease in market value of securities investments in the amount of approximately HK\$20,291,000.

The Group held significant securities investments as at 31 March 2020 as below:

Company name (stock code)	Number of shares held	Approx. % held to the total issued share capital of the company/ investment %	Investment cost/cost of acquisition HK\$'000	Dividend income for the year ended 31 March 2020 HK\$'000	Fair value gain/(loss) for the year ended 31 March 2020 HK\$'000	Fair value at 31 March 2020 HK\$'000	Approx. % of total assets of the Group at 31 March 2020 %
China SCE Group Holdings Ltd. (1966)	6,313,000	0.15	10,451	1,626	(4,103)	21,717	0.47
Best Food Holding Company Limited (1488)	23,080,000	1.46	27,200	—	(11,729)	16,156	0.35
Other listed shares*	2,290,000	—	19,177	115	(2,035)	1,733	0.04
Grand total:			<u>56,828</u>	<u>1,741</u>	<u>(17,867)</u>	<u>39,606</u>	<u>0.86</u>

* Other listed shares included 3 companies whose shares are listed on the Main Board of the Stock Exchange.

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

The Group understands that the performance of the investments may be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimise the possible financial risks. Also, the Group will closely monitor the performance progress of the investment portfolio from time to time.

(iv) Loan Financing

During the year, the Group recorded interest income from the loan financing business amounting to approximately HK\$19,540,000 (2019: approximately HK\$19,601,000), representing approximately 0.3% decrease comparing to last year. The segment profit of loan financing business was approximately HK\$6,060,000 for the year ended 31 March 2020 (2019: approximately HK\$5,726,000). The outstanding principal amount of loans receivable as at 31 March 2020 was approximately HK\$329,969,000 (2019: approximately HK\$336,010,000). At 31 March 2020, the net impairment allowance recognized in profit or loss amounted to approximately HK\$6,581,000 in its loan financing business. The Group will continue to develop in this segment in order to earn a higher interest income.

FINANCIAL REVIEW

	Year ended 31 March		
	2020	2019	Change
	HK\$'000	HK\$'000	HK\$'000
Revenue	80,682	62,228	18,454
Gross profit	76,455	58,957	17,498
Gross profit margin	94.8%	94.7%	0.1%
Administrative expenses	(52,472)	(48,276)	(4,196)
Finance costs	(31,578)	(36,310)	4,732
(Loss) profit before taxation	(209,657)	50,910	(260,567)
Taxation	3,465	(400)	3,865

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

	Year ended 31 March		
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change <i>HK\$'000</i>
(Loss) profit for the year attributable to shareholders of the Company	(206,192)	50,510	(256,702)
Net profit margin	N/A	81.2%	N/A
Basic (loss) earnings per share	HK(70.68) cents	HK33.46 cents	HK(104.14) cents
Diluted (loss) earnings per share	HK(70.68) cents	HK32.10 cents	HK(102.78) cents

Revenue

For the year ended 31 March 2020, the Group's revenue increased by 29.7% to approximately HK\$80,682,000 as compared with last year of approximately HK\$62,228,000 which was mainly due to increase in rental income from newly acquired properties.

Gross Profit/Margin

Gross profit of the Group for the year ended 31 March 2020 was approximately HK\$76,455,000, representing an increase of approximately 29.7% or approximately HK\$17,498,000 as compared to approximately HK\$58,957,000 in 2019. Gross profit margin for the year reached approximately 94.8% (2019: approximately 94.7%), representing an increase of approximately 0.1% over the last financial year.

Loss before Taxation

Loss before taxation of the Group for the year ended 31 March 2020 was approximately HK\$209,657,000, as compared with last year profit before taxation of approximately HK\$50,910,000.

Administrative expenses of the Group increased from approximately HK\$48,276,000 to approximately HK\$52,472,000, an increase of approximately 8.7% as compared with the last year.

Share Consolidation

On 6 November 2019, the Company announced that the Board proposed to consolidate every twenty (20) issued and unissued then existing shares of the Company of HK\$0.01 each into one (1) consolidated share (“**Consolidated Share**”) (the “**Share Consolidation**”). The Share Consolidation was approved by the independent Shareholders on 6 January 2020 at the special general meeting of the Company and became effective on 8 January 2020. Further details of the Share Consolidation are set out in the Company’s circular dated 17 December 2019.

Fund Raising

During the year ended 31 March 2020, the following corporate actions had taken with an aim to strengthening the Group’s financial position and prospects, hence, enhancing the Shareholders’ value:

- (i) The Company on 17 June 2019 entered into a subscription agreement in relation to the issue of a 3% per annum coupon rate convertible note to Goodco Development Limited in the principal amount of HK\$70,000,000, conferring rights to convert at any time before 28 August 2024 the principal amount into the shares of the Company (“**Shares**”) at conversion price which is at present of HK\$0.91 per Share (after adjustment). The transaction was approved by the independent Shareholders on 21 August 2019 and the completion took place on 28 August 2019. The net proceeds were approximately HK\$69,500,000 which was intended to be applied for the acquisition of the remaining units of Wing Cheong Factory Building and the preliminary investigation, planning and design costs for the redevelopment of Wing Cheong Factory Building. As at the date of this report, all the net proceeds have been fully utilised according to the intended use of which (i) approximately HK\$66,684,000 for the acquisition of the remaining units of Wing Cheong Factory Building; and (ii) approximately HK\$2,816,000 for the preliminary investigation, planning and design costs for the redevelopment of Wing Cheong Factory Building.
- (ii) On 6 November 2019, the Company announced that the Board proposed to issue not less than 745,166,408 rights shares of the Company (“**Rights Share(s)**”) and not more than 879,833,072 Rights Shares at a subscription price of HK\$0.483 per Rights Share to the qualifying Shareholders on the basis of four (4) Rights Shares for every one (1) Consolidated Share (the “**Rights Issue**”) upon the Share Consolidation becoming effective.

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

An underwriting agreement dated 4 November 2019 was entered into between the Company and Get Nice Securities Limited, as underwriter, in relation to, inter alia, the underwriting of not less than 597,300,276 Rights Shares and not more than 731,966,940 Rights Shares in respect of the Rights Issue.

The net proceeds raised from the Rights Issue were approximately HK\$353,900,000, of which (i) approximately HK\$79,000,000 as construction cost for redevelopment of the lot on Matheson Street, Causeway Bay; (ii) approximately HK\$25,000,000 as construction cost of the properties in Huzhou, PRC; (iii) approximately HK\$22,100,000 as preliminary cost (including planning, design and demolition cost) of Wing Cheong Factory Building; (iv) approximately HK\$12,000,000 as additional acquisition cost of the remaining units of Wing Cheong Factory Building; (v) approximately HK\$15,800,000 for construction cost of the redevelopment of the properties on Davis Street, Kennedy Town; (vi) approximately HK\$62,000,000 as acquisition cost for the remaining units at Fung Wah Factorial Building; (vii) approximately HK\$80,000,000 as potential acquisitions of new properties and other investments; (viii) approximately HK\$4,900,000 for the repayment of bank loan principal, interests and other expenses; and (ix) approximately HK\$53,100,000 as general working capital of the Group.

The Rights Issue was approved by the independent Shareholders at the special general meeting of the Company on 6 January 2020 and was completed on 11 February 2020. Further details of the Rights Issue are set out in the prospectus of the Company dated 16 January 2020.

As at the date of this report, the net proceeds raised from the Rights Issue had been partially utilized of which (i) approximately HK\$1,400,000 as construction cost for redevelopment of the lot on Matheson Street, Causeway Bay; (ii) approximately HK\$80,000,000 as potential acquisitions of new properties and other investments; and (iii) approximately HK\$53,100,000 as general working capital of the Group.

Outstanding Convertible Notes

Below are the particulars of the outstanding convertible notes of the Company:

(1) 2015 Convertible Note (the “2015CN”)

Holder of the convertible note : Madian Star Limited

**APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE
EMINENCE GROUP**

Principal amount	:	HK\$86,000,000
Outstanding principal amount as at the date of this report	:	HK\$40,400,000
Issue date	:	12 June 2015
Maturity date	:	12 June 2022
Conversion price as at the date of this report	:	HK\$0.9855 (subject to adjustment)

During the year, Madian Star Limited (i) on 27 May 2019 exercised the rights attached to the 2015CN and converted a total of HK\$8,400,000 at the then conversion price HK\$0.06 into 140,000,000 then Shares and these Shares were issued and allotted to Madian Star Limited on 27 May 2019; and (ii) on 2 August 2019 exercised the rights attached to the 2015CN and converted a total of HK\$37,200,000 at the then conversion price HK\$0.06 into 620,000,000 then Shares and these Shares were issued and allotted to Madian Star Limited on 2 August 2019.

(2) 2017 Convertible Note — 1

Holder of the convertible note	:	Goodco Development Limited
Principal amount	:	HK\$16,000,000
Outstanding principal amount as at the date of this report	:	HK\$16,000,000
Issue date	:	11 May 2017
Maturity date	:	11 May 2022
Conversion price as at the date of this report	:	HK\$2.6279 (subject to adjustment)

APPENDIX VIII MANAGEMENT DISCUSSION AND ANALYSIS OF THE EMINENCE GROUP

During the year, no exercise of the conversion rights under 2017 Convertible Note — 1 was made and the outstanding principal amount as at the date of this report is HK\$16,000,000.

(3) 2017 Convertible Note — 2

Holder of the convertible note	:	Goodco Development Limited
Principal amount	:	HK\$28,200,000
Outstanding principal amount as at the date of this report	:	HK\$11,280,000
Issue date	:	26 September 2017
Maturity date	:	26 September 2020
Conversion price as at the date of this report	:	HK\$0.9855 (subject to adjustment)

During the year, no exercise of the conversion rights under 2017 Convertible Note — 2 was made and the outstanding principal amount as at the date of this report is HK\$11,280,000.

(4) 2019 Convertible Note

Holder of the convertible note	:	Goodco Development Limited
Principal amount	:	HK\$70,000,000
Outstanding principal amount as at the date of this report	:	HK\$70,000,000
Issue date	:	28 August 2019
Maturity date	:	28 August 2024

Conversion price as at : HK\$0.91 (subject to adjustment)
the date of this report

During the year, no exercise of the conversion rights under 2019 Convertible Note was made and the outstanding principal amount as at the date of this report is HK\$70,000,000.

Capital Structure

Due to the conversions of the 2015CN by Madian Star Limited on 27 May 2019 and 2 August 2019 respectively, the Share Consolidation became effective on 8 January 2020 and completion of the Rights Issue on 11 February 2020, as at 31 March 2020, the total number of issued ordinary shares of the Company was 931,458,010 Shares (31 March 2019: 2,965,832,059 Shares) and the nominal value per Share was HK\$0.20 (2019: HK\$0.01).

Charges of Assets

As at 31 March 2020, the Group had bank loans amounting to approximately HK\$1,431,740,000 (2019: approximately HK\$1,075,229,000) which were secured by the Group's properties with an aggregate net book value of approximately HK\$925,149,000 (investment properties) and approximately HK\$2,441,200,000 (properties held for development for sale) respectively (2019: approximately HK\$776,431,000 and HK\$1,730,263,000).

Material Acquisitions and Disposals

1. Project Wing Cheong

During the year, the Group, through its wholly-owned subsidiary, successfully completed the acquisition of 100% of Wing Cheong Factory Building through compulsory sale. The final bidding price of the entire Wing Cheong Factory Building was HK\$395,000,000 which is the reserve price. Prior to the auction, the Group already owned 18 units and 2 car parks of Wing Cheong Factory Building, representing approximately 86.36% of the undivided shares of Wing Cheong Factory Building. The consideration for the acquisition of the remaining units (being 6 units of Wing Cheong Factory Building, representing approximately 13.64% of the undivided shares of Wing Cheong Factory Building) was thus approximately HK\$63,300,000. The acquisition of the remaining units was completed on 3 March 2020. The site area of which Wing Cheong Factory Building is erected on is approximately 5,483 sq. ft. The Group plans to redevelop Wing Cheong Factory Building into an industrial building with modern amenities, facilities and loading/unloading bays utilizing floor area allowable under all relevant laws and regulations which maximize the usage and potential of the lot to its fullest extent.

Further information can be found in the circular of the Company dated 30 September 2019 and the announcement of the Company dated 4 February 2020.

2. *Project Kennedy Town*

On 9 July 2019, Above Ace Limited, a wholly-owned subsidiary of the Company, as buyer, entered into a sale and purchase agreement with an independent third party, Mr. Ng Kwai Tung, as seller, under which Above Ace Limited agreed to acquire two companies which (i) the sole asset of one company was a sale share agreement committing such to acquire two subsidiaries, one of which is the owner of the properties at Nos. 1B and 1C of Davis Street, Kennedy Town, Hong Kong; and (ii) the sole asset of another company was various property purchase agreements committing the acquisition of the properties at Nos. 1D and 1E of Davis Street, Kennedy Town, Hong Kong. The completion took place on 23 September 2019 and 31 October 2019 respectively and that the Group as at 31 March 2020 owned the entire combined site at Nos. 1B, 1C, 1D and 1E of Davis Street, Kennedy Town, Hong Kong. The registered area of the combined site is approximately 4,940 sq. ft. The Company plans to demolish the properties and redevelop the site into a residential/commercial development to maximize the usage of the site.

Further information can be found in the circular of the Company dated 6 September 2019.

3. *Disposal of Office Units and Car Parking Spaces in Capital Centre*

The Group in April 2018 acquired the office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor and carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre as part of the Group's investment. On 24 April 2019, the Company launched the open tender for the sale of such office units and car parks in Capital Centre and on 24 May 2019, a sale and purchase agreement was entered into between Lion Capital Investment Limited, a subsidiary of the Company, as seller, and Create Success Investments Limited, an independent third party, as buyer, under which such office units and car parks in Capital Centre and intermediate subsidiaries of the Company were sold to the buyer at a consideration of HK\$361,600,000. Such disposal was duly completed on 23 August 2019 and the Group recorded a gain on disposal of subsidiaries of approximately HK\$57,511,000.

Further information can be found in the announcements of the Company dated 24 May 2019 and 27 May 2019.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in United States dollars, Hong Kong dollars, Singapore dollars and Renminbi. During the year, the Group did not have significant exposure to the fluctuation in exchange rates and thus, no financial instrument for hedging purposes was employed. The Group considered the risk of exposure to the currency fluctuation to be minimal.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2020 (2019: nil).

Capital Expenditure and Capital Commitments***Capital Expenditure***

For the year ended 31 March 2020, the Group invested approximately HK\$4,664,000 (2019: approximately HK\$1,489,000) in the purchase of property, plant and equipment, and spent approximately HK\$6,378,000 (2019: approximately HK\$23,368,000) on addition of investment properties. These capital expenditures were financed from internal resources, bank facilities and funds from previous fund raising activities of the Company.

Capital Commitments

As at 31 March 2020, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$33,891,000 (2019: approximately HK\$40,684,000).

EMPLOYEES

As at 31 March 2020, the Group had 55 employees (2019: 55). Staff costs (including directors' emoluments) amounted to approximately HK\$23,336,000 for the year under review (2019: approximately HK\$21,222,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for Hong Kong's employees and has made contributions to the state-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

EVENTS AFTER THE END OF THE REPORTING PERIOD

- (1) Success Edge Limited, a wholly-owned subsidiary of the Company, as buyer, and an independent third party, as seller, entered into an agreement for sale and purchase dated 6 April 2020, pursuant to which, among other things, the buyer conditionally agreed to buy and take up, and the seller conditionally agreed to sell and assign, the entire issued share capital of Nice Able Holdings Limited (“**Nice Able**”) and its shareholder’s loan at the consideration of HK\$89,115,992 subject to the terms and conditions of the agreement for sale and purchase. Nice Able is committed to (i) acquire the entire issued share capital of Success Mark Investments Limited (the registered and beneficial owner of the unit on G/F., No. 93 Catchick Street, Hong Kong) and a loan to it; and (ii) acquire the units on 1/F., 2/F., 3/F., 4/F., 5/F and Roof, No. 93 Catchick Street, Hong Kong and the units on G/F., 1/F., 3/F., 4/F., 5/F and Roof, No. 95 Catchick Street, Hong Kong from the respective property vendors. The completion of the agreement for sale and purchase is subject to the Shareholders’ approval at the special general meeting of the Company which is to be held on 8 June 2020 and upon completion of the agreement for sale and purchase (which is scheduled to take place on 20 July 2020), Nice Able will become an indirect wholly-owned subsidiary of the Company. Details of the transaction could be found in the announcements of the Company dated 6 April 2020, 29 April 2020 and 15 May 2020 respectively and the circular of the Company dated 21 May 2020.

- (2) The outbreak of a respiratory illness caused by novel coronavirus, or known as COVID-19 (“**COVID-19**”), in Mainland China, Hong Kong and various countries around the globe has affected many businesses to different extent. Retail tenants in Hong Kong are facing substantial business drop and temporary closure as a result of COVID-19. In response of these, the Group has granted rent concessions to tenants after the end of the reporting period and the rental income from the Group’s investment properties in coming financial year is expected to decrease and this may have impacts over the fair values of the Group’s investment properties. Given the unpredictability of future development of COVID-19, the impacts to the Group cannot be reliably quantified or estimated at the date of issuing the consolidated financial statement. The Company will continue to closely monitor the situation. The actual financial effects, if any, will be reflected in the Group’s future financial statements.

PROSPECTS

The Group will continue focusing its efforts in the development of its existing principal businesses: property development, property investment, securities investment, loan financing business while exploring other potential projects with a view to providing steady and favourable returns for the Shareholders and bring increased growth to the Group.

Despite the uncertainties on global economic outlook caused by the softening global economic growth and the outbreak of COVID-19, the Group is prudently optimistic about the prospects of the property and securities market in Hong Kong and believes these markets will continue to grow over the longer term.

In line with its investment strategy and policy, the Company will continue to identify appropriate investment and divestment opportunities that fit the objective and investment criteria of the Company, and will continue to seek opportunities to replenish its property portfolio as an ongoing business exercise. The Board would exercise utmost caution, so as to bring positive impact on the operating and financial results to the Company in the foreseeable future.

APPENDIX IX PRINCIPAL TERMS OF THE 2023 CONVERTIBLE NOTE

Set out below are the principal terms of the 2023 Convertible Note.

Issuer:	Eminence
Principal amount:	HK\$209,000,000
Maturity date:	The fifth (5th) anniversary of the issue date, when the entire then-outstanding principal amount, together with all outstanding accrued interest, of the 2023 Convertible Note will become due and payable by Eminence to the holder of the 2023 Convertible Note.
Redemption price at maturity:	100% of the principal amount of the 2023 Convertible Note outstanding on the maturity date, together with all unpaid interest accrued on it.
Redemption:	<p>Any amount of the 2023 Convertible Note which remains outstanding on the maturity date shall be redeemed in full.</p> <p>Any amount of the 2023 Convertible Note which is redeemed will be cancelled forthwith.</p>
Interest:	<p>The 2023 Convertible Note will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 5% per annum. Interest will be payable semi-yearly in arrears.</p> <p>The interest rate was determined by the parties after arm's length negotiations and with reference to (i) the prevailing market conditions; and (ii) the indicative costs of unsecured mid-term/long-term debt finance preliminarily quoted to Eminence by its banks upon enquiry.</p>

APPENDIX IX PRINCIPAL TERMS OF THE 2023 CONVERTIBLE NOTE

Conversion Rights:

The holder of the 2023 Convertible Note will have the right to convert the whole or part of the outstanding principal amount of the 2023 Convertible Note (in amounts of not less than an integral multiple of HK\$1,000,000 on each conversion, unless the outstanding principal amount of the 2023 Convertible Note is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the conversion period (as detailed below) at the conversion price of HK\$0.106 per Conversion Share (subject to adjustments).

Eminence will not be obliged to issue any Conversion Shares if immediately following the conversion, Eminence will be unable to meet the minimum public float requirement under the Listing Rules.

Conversion period:

The period from the date falling on the issue date up to and including the date falling on the fifth (5th) last Business Day prior to the maturity date.

APPENDIX IX PRINCIPAL TERMS OF THE 2023 CONVERTIBLE NOTE

Conversion price:

Upon issue of the 2023 Convertible Note, the initial conversion price will be HK\$0.106 per Conversion Share (subject to adjustments) on the occurrence of the following events which are exhaustive:

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

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

where:

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

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

Such adjustment shall become effective on the date the alteration takes effect.

APPENDIX IX PRINCIPAL TERMS OF THE 2023 CONVERTIBLE NOTE

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

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

where:

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

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

such adjustment shall be effective (if appropriate retrospectively) from the commencement of the day following the record date for such issue.

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

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

where:

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

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

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

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

Such adjustment shall become effective on the date of issue of such Eminence Shares.

(iii) If and whenever Eminence shall pay or make any Capital Distribution (includes distributions in cash or specie) to the Eminence Shareholders (whether on a reduction of capital or otherwise) (except where the conversion price falls to be adjusted under sub-paragraph (ii) above (or falls within sub-paragraph (ii) above but no adjustment falls to be made), the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such Capital Distribution by the fraction:

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

where:

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

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

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

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

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

where:

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

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

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

Such adjustment shall become effective on the date of issue of such Eminence Shares or issue or grant of such options, warrants or other rights (as the case may be).

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

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

where:

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

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

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

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

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

where:

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

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

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

APPENDIX IX PRINCIPAL TERMS OF THE 2023 CONVERTIBLE NOTE

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

Such adjustment shall become effective on the date of issue of such Eminence Shares or, as the case maybe, the issue or grant of such options, warrants or other rights.

(vii) Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (vii), if and whenever Eminence or any Eminence Subsidiary (otherwise than as mentioned in sub-paragraphs (iv), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with Eminence or any Eminence Subsidiary) any other person shall issue wholly for cash any securities (other than the 2023 Convertible Note) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Eminence Shares (or grant any such rights in respect of any existing securities so issued) to be issued by Eminence upon conversion, exchange or subscription at a consideration per Eminence Share which is less than 95 per cent. of the current market price per Eminence Share on the trading day last preceding the date of announcement of the terms of issue of such securities, the conversion price shall be adjusted, by multiplying the conversion price in force immediately prior to such issue (or grant) by the fraction:

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

where:

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

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

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

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

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

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

where:

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

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

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

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

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

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

where:

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

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

Such adjustment shall become effective on the date of issue of the securities.

- (x) If Eminence considers that it would be appropriate for an adjustment to be made to the conversion price as a result of one or more events or circumstances not referred to above, Eminence shall request an approved merchant bank to determine what adjustment (if any) to the conversion price is fair and reasonable to take account thereof. Any adjustment under this provision is limited to downward adjustment. The Eminence Board considers that this is fair and reasonable and consistent with market norms and that holder of the 2023 Convertible Note generally would not agree to any upward adjustment, except on a consolidation, given that the matters that may give rise to adjustment are in the control of Eminence.

If any adjustment event other than a sub-division occurs which leads the number of Conversion Shares issuable under the 2023 Convertible Note to exceed 1,971,698,113, then the holder of the 2023 Convertible Note shall be entitled to convert the 2023 Convertible Note into up to 1,971,698,113 Conversion Shares based on the adjusted conversion price and any outstanding remaining principal amount of the 2023 Convertible Note shall be redeemed by Eminence on the maturity date in accordance with its terms.

APPENDIX IX PRINCIPAL TERMS OF THE 2023 CONVERTIBLE NOTE

**Ranking of the Conversion
Shares:**

The Conversion Shares, if and when allotted and issued, shall rank pari passu in all respects with all other Eminence Shares in issue as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on or after the date of the relevant conversion notice.

Transferability:

No assignment or transfer (whether in whole or in part) of the 2023 Convertible Note except with consent of Eminence or to (i) the holding company or (ii) the subsidiaries or affiliated companies of the holder of the 2023 Convertible Note or the fellow subsidiaries or fellow affiliated companies of the holder of the 2023 Convertible Note.

Voting:

The holder of the 2023 Convertible Note will not be entitled to attend or vote at any meetings of Eminence by reason only of being the holder of the 2023 Convertible Note.

Others:

The Conversion Rights attaching to the 2023 Convertible Note shall not be exercisable if and to the extent that immediately after such exercise and the issue of the related Conversion Shares less than 25% of the issued Eminence Shares would be held by the public as required by Rule 8.08 of the Listing Rules.

1. RESPONSIBILITY STATEMENT

This joint circular, for which the Easyknit 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 Easyknit. The Easyknit Directors, have made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this joint 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 joint circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Easyknit Directors' interests in Easyknit Shares

Directors' Interest in Easyknit Shares, Underlying Easyknit Shares and Debentures

As at 30 September 2022, the interests and short positions of the Easyknit Directors and chief executive of Easyknit in the Easyknit Shares, underlying Easyknit Shares and debenture of Easyknit or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by Easyknit under section 352 of the SFO, or as otherwise notified to Easyknit and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules, were as follows:

Long positions in the ordinary Easyknit Shares and the underlying Easyknit Shares

Name of Easyknit Director	Number of Ordinary Easyknit Shares				Total	Approximate % of Shareholding <i>(Note vi)</i>
	Personal Interest	Family Interest	Corporate Interest	Other Interest		
Koon Ho Yan Candy (“Ms. Koon”)	73,000 <i>(Note i)</i>	—	—	29,179,480 <i>(Note ii)</i>	29,252,480	39.53%
Lui Yuk Chu (“Ms. Lui”)	73,000 <i>(Note iii)</i>	73,000 <i>(Note iv)</i>	17,429,664 <i>(Note v)</i>	—	17,575,664	23.75%

Notes:

- (i) These interests represent options granted to Ms. Koon as beneficial owner under the share option scheme of Easyknit adopted on 5 July 2012 (the “Share Option Scheme”).

- (ii) 29,179,480 shares are registered in the name of and are beneficially owned by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by the Winterbotham Trust Company Limited in its capacity as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Koon). As a result, Ms. Koon is deemed to be interested in the Easykmit Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.
- (iii) These interest represent options granted to Ms. Lui as beneficial owner under the Share Option Scheme.
- (iv) These interest represent options granted to Mr. Koon Wing Yee (“**Mr. Koon**”), the spouse of Ms. Lui, as beneficial owner under the Share Option Scheme. Ms. Lui is deemed to be interested in those shares in which her spouse, Mr. Koon, was interested.
- (v) 17,429,664 Easykmit Shares are owned by Sea Rejoice Limited which is wholly and beneficially owned by Ms. Lui.
- (vi) The percentage represented the number of Easykmit Shares over the total issued share capital of Easykmit as at 30 September 2022 was 73,988,403 shares.

Save as disclosed above, as at 30 September 2022, none of the Easykmit Directors or chief executives of Easykmit had any interests or short positions in the Easykmit Shares, underlying Easykmit Shares and debentures of Easykmit or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to Easykmit and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by Easykmit under Section 352 of the SFO, or which were required to be notified to Easykmit and the Stock Exchange pursuant to the Model Code.

(b) Substantial Easykmit Shareholders’ Interest

Substantial Shareholders’ Interests in Easykmit Shares and Underlying Easykmit Shares

As at 30 September 2022, the persons (other than the Easykmit Directors or the chief executives of Easykmit) who had an interest or a short position in the Easykmit Shares and underlying Easykmit Shares which would fall to be disclosed to Easykmit under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by Easykmit under Section 336 of the SFO were as follows:

Long positions in the ordinary Easyknit Shares and the underlying Easyknit Shares

Name of Shareholder	Notes	Capacity	Number of Shares Held	Total	Approximate % of Shareholding
Magical Profits Limited	<i>i</i>	Beneficial owner	29,179,480	29,179,480	39.43%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	29,179,480	29,179,480	39.43
The Winterbotham Trust Company Limited	<i>i</i>	Trustee	29,179,480	29,179,480	39.43
Winterbotham Holdings Limited	<i>i</i>	Interest of controlled corporation	29,179,480	29,179,480	39.43
Christopher Geoffrey Douglas Hooper	<i>i</i>	Interest of controlled corporation	29,179,480	29,179,480	39.43
Mr. Koon	<i>ii</i>	Interest of spouse	17,502,000		
	<i>iii</i>	Beneficial owner	73,000	17,575,664	23.75
Sea Rejoice Limited	<i>ii</i>	Beneficial owner	17,429,664	17,429,664	23.75

Notes:

- (i) 29,179,480 Easyknit Shares are registered in the name of and are beneficially owned by Magical Profits Limited, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited in its capacity as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Koon, an executive Easyknit Director). The Winterbotham Trust Company Limited is owned as to 75% by Winterbotham Holdings Limited. Winterbotham Holdings Limited is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper.
- (ii) 17,429,664 Easyknit Shares are owned by Sea Rejoice Limited which is wholly and beneficially owned by Ms. Lui, an executive Easyknit Director. On 30 August 2021, Ms. Lui was granted 73,000 share options of Easyknit under the Share Option Scheme. Mr. Koon, being the spouse of Ms. Lui, is deemed to be interested in 17,502,664 Easyknit Shares by virtue of the SFO.
- (iii) These interest represents options granted to Mr. Koon as beneficial owner under the Share Option Scheme.

- (iv) The percentage represented the number of Easyknight Shares over the total issued share capital of Easyknight as at 30 September 2022 was 73,988,403 shares.

Save as disclosed above, as at 30 September 2022, Easyknight had not been notified by any persons (other than the Easyknight Directors or chief executive of Easyknight) who had interests or short positions in the Easyknight Shares and underlying Easyknight Shares which would fall to be disclosed to Easyknight under the provisions of Division 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by Easyknight under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. EASYKNIT DIRECTORS' INTEREST IN COMPETING BUSINESS

Name of Easyknight Director	Name of company	Nature of competing business	Nature of interest
Lui Yuk Chu	Eminence	Property development, property investment, securities and other investment and loan financing	Eminence Director

Save as disclosed in this joint circular, at the Latest Practicable Date, none of the Easyknight 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 Easyknight Group as required to be disclosed pursuant to the Listing Rules.

5. LITIGATION

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

6. EASYKNIT DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Easyknit Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Easyknit Group.

As at the Latest Practicable Date, none of the Easyknit Directors had any direct or indirect interest in any assets which have been, since 31 March 2022 (being the date to which the latest published audited consolidated accounts of the Easyknit Group were made up), acquired or disposed of by or leased to any member of the Easyknit Group, or are proposed to be acquired or disposed of by or leased to any member of the Easyknit Group.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Easyknit Group, were entered into by the Easyknit Group within two (2) years immediately preceding the date of this joint circular which are or may be material:

Easyknit Group

- (a) the Sale and Purchase Agreements

Eminence Group

- (a) the deed of settlement dated 4 March 2022 entered into between Shui Kam Enterprises Limited and City China International Limited (an indirect non-wholly owned subsidiary of Easyknit) in relation to the settlement of the outstanding loans under the loan agreements;
- (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;
- (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;

- (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 non-wholly owned subsidiary of Easyknit) 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; and
- (e) the agreement the (the “**Option to Purchase**”) dated 4 November 2022 entered into between Grow Well Profits Limited, an indirect non-wholly owned subsidiary of Easyknit and two Independent Third Parties as purchasers 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 pursuant to the terms and conditions of the Option to Purchase.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who are named in this joint circular or have given their opinions or advice which are contained in this joint circular:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Colliers	Independent Professional Valuer

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2022 (being the date to which the latest published audited consolidated accounts of the Easyknit Group were made up), acquired or disposed of by or leased to any member of the Easyknit Group, or are proposed to be acquired or disposed of by or leased to any member of the Easyknit Group; and
- (b) any shareholding in any member of the Easyknit 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 Easyknit Group.

The above experts have given and have not withdrawn their respective written consents to the issue of this joint circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

9. GENERAL

- (a) The company secretary of Easykmit is Mr. Lee Po Wing, a practising solicitor since 1994.
- (b) The registered office of Easykmit is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of Easykmit in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of Easykmit is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English text of this joint circular and the enclosed white proxy form prevails over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of Easykmit (www.easykmit.com) for a period of 14 days from the date of this joint circular:

- (a) the Sale and Purchase Agreements;
- (b) the written consents referred to in the paragraph headed “Experts and Consents” in this Appendix;
- (c) the valuation report issued by Colliers in respect of the Properties as set out in Appendix I to this joint circular;
- (d) the financial information of the Sale Companies prepared by ZHONGHUI ANDA CPA Limited as set out in Appendix IV to this joint circular; and
- (e) the report on the unaudited pro forma financial statements of the Easykmit Group as set out in Appendix V to this joint circular.

1. RESPONSIBILITY STATEMENT

This joint 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 joint 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 joint 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 Securities and Futures Ordinance (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	Approximate percentage of the total issued Eminence Shares
Ace Winner	(i) and (iii)	Beneficial owner	484,538,175*	22.79%
Goodco	(i) and (iii)	Beneficial owner	562,231,961	26.44%
Easyknit Properties Holdings Limited	(i) and (iii)	Interest of controlled corporation	562,231,961	26.44%
Easyknit	(i) and (iii)	Beneficial owner	27,000,000	1.27%
		Interest of controlled corporation	1,070,157,506	50.33%
			1,097,157,506	51.60%
Magical Profits Limited	(ii) and (iii)	Interest of controlled corporation	1,097,157,506	51.60%
Accumulate More Profits Limited	(ii)	Interest of controlled corporation	1,097,157,506	51.60%
The Winterbotham Trust Company Limited	(ii)	Interest of controlled corporation	1,097,157,506	51.60%
Winterbotham Holdings Limited	(ii)	Interest of controlled corporation	1,097,157,506	51.60%
Christopher Geoffrey Douglas Hooper	(ii)	Interest of controlled corporation	1,097,157,506	51.60%
Hu Rong		Beneficial owner	47,030,000	2.21%

Notes:

- (i) In the 1,070,157,506 Eminence Shares, 484,538,175* Eminence Shares, 23,387,370 Eminence Shares and 562,231,961 Eminence Shares were registered in the name of and beneficially owned by Ace Winner, Landmark Profits Limited and Goodco (which was wholly-owned by Easyknit Properties Holdings Limited) respectively, all of which were wholly-owned subsidiaries of Easyknit. 27,000,000 Eminence Shares were also beneficially owned by Easyknit.
- (ii) Magical Profits Limited, which was interested in approximately 39.43% of the issued share capital of Easyknit, 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.
- (iii) Ms. Lui Yuk Chu, an executive Eminence Director, was also a director of Ace Winner, Goodco, Easyknit Properties, Easyknit and Magical Profits Limited and a substantial Easyknit Shareholder.

* According to Form 2 filed on 2 July 2021 by Ace Winner, on 25 June 2021, 300,000,000 Eminence Shares, representing an approximately 14.11% equity interest of total issued Eminence Shares, were pledged to Hang Seng Bank Limited.

Apart from Ms. Lui Yuk Chu, 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 Eminence or any of its subsidiaries.

4. EMINENCE DIRECTORS' SERVICE CONTRACTS

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

5. EMINENCE DIRECTORS' INTERESTS IN COMPETING BUSINESS

Name of Eminence Director	Name of company	Nature of competing business	Nature of interest
Lui Yuk Chu	Easyknit	Property development, property investment, securities and other investment and loan financing	Easyknit Director and substantial Easyknit Shareholder

Save as disclosed in this joint 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, 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 as at the Latest Practicable Date and which was significant in relation to the business of the Eminence Group.

As at the Latest Practicable Date, 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, disposed of or leased to any member of the Eminence Group since 31 March 2022, 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 under the loan agreements;
- (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;
- (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;
- (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 the (the “**Option to Purchase**”) dated 4 November 2022 entered into between Grow Well Profits Limited, an indirect wholly-owned subsidiary of Eminence and two Independent Third Parties as purchasers 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 pursuant to the terms and conditions of the Option to Purchase; and
- (f) the Sale and Purchase Agreements.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this joint circular or have given their opinions or advice which are contained in this joint circular:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Red Sun Capital Limited	Eminence Independent Financial Adviser
Colliers	Independent Professional Valuer

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2022 (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 experts have given and have not withdrawn their respective written consents to the issue of this joint circular with the inclusion of their letters, reports and references to their names in the form and context in which they appear.

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 HM 11, Bermuda and the principal place of business of Eminence in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of Eminence is Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English text of this joint circular and the enclosed **blue** proxy form 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 joint circular:

- (a) the letter from the Eminence Independent Board Committee as set out on pages 62 to 63 of this joint circular;
- (b) the letter from the Eminence Independent Financial Adviser as set out on pages 64 to 103 of this joint circular;
- (c) the valuation report on the Properties prepared by Colliers as set out in appendix I to this joint circular;
- (d) the accountants' report on unaudited proforma financial information of Post-Transaction Eminence Group issued by ZHONGHUI ANDA CPA Limited as set out in appendix VI to this joint circular;
- (e) the letter from ZHONGHUI ANDA CPA Limited, the reporting accountant, in respect of the accountants' report on unaudited proforma financial information of the Eminence Group, as set out in appendix VI to this joint circular;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (g) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix.



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Easyknit SGM**”) of Easyknit International Holdings Limited (“**Easyknit**”) 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 Wednesday, 15 February 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed with or without amendment of an ordinary resolution of Easyknit:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Sale and Purchase Agreements dated 30 November 2022 (the “**Sale and Purchase Agreements**”) entered into between Easyknit Properties Holdings Limited, a direct wholly-owned subsidiary of Easyknit as seller, and Eminence Enterprise Limited, as purchaser in relation to the conditional disposal of the entire issued share capital of the companies referred therein (the “**Disposals**”) be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of Easyknit be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his/her opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Sale and Purchase Agreements and the Disposals.”

By Order of the Board
Easyknit International Holdings Limited
Koon Ho Yan Candy
President and Chief Executive Officer

Hong Kong, 21 January 2023

NOTICE OF THE EASYKNIT SGM

Notes:

1. A form of proxy for use in connection with the Easykmit SGM is enclosed.
2. For the purpose of ascertaining entitlement to attend and vote at the Easykmit SGM (the “**Entitlement to Easykmit SGM**”), the register of members of the Company (the “**Register of Members**”) will be closed from 10 February 2023 to 15 February 2023, both days inclusive, during which period no transfer of shares of Easykmit (“**Shares**”) will be effected. In order to be eligible to attend and vote at the Easykmit SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration no later than 4:30 p.m. on 9 February 2023. The record date for Entitlement to Easykmit SGM will be 15 February 2023.
3. A member entitled to attend and vote at the Easykmit SGM by the above notice is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the Easykmit SGM. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, not less than 48 hours before the time for holding the Easykmit SGM or any adjournment thereof (as the case may be).
5. Where there are joint holders of a Share, any one of such joint holders may vote at the Easykmit SGM either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the Easykmit SGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of such joint holding.
6. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 6:00 a.m. on the date of the Easykmit SGM, the Easykmit SGM will be postponed and Shareholders will be informed of the date, time and venue of the postponed Easykmit SGM by a supplementary notice, posted on the respective website(s) of the Company and The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 6:00 a.m. on the date of the Easykmit SGM and where conditions permit, the Easykmit SGM will be held as scheduled. The Easykmit SGM will be held as scheduled when an amber or red rainstorm warning signal is in force. After considering their own situations, Shareholders should decide whether they would attend the Easykmit SGM under bad weather condition and if they do so, they are advised to exercise care and caution.



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 Wednesday, 15 February 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 acquisition by Eminence of the Sale Companies pursuant to the terms and conditions of the Sale and Purchase Agreements (copies of which are produced to the Eminence SGM and initialled by the chairman of the Eminence SGM for the purpose of identification) and the transactions contemplated thereunder including but not limited to the issue of the 2023 Convertible Note and the Conversion Shares referred to therein be and are hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the fulfillment of the conditions in the Sale and Purchase Agreements, the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note be and is hereby approved; and
- (c) any one or two of the Eminence Directors 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 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 Sale and Purchase

NOTICE OF THE EMINENCE SGM

Agreements and the transactions contemplated thereunder (including but not limited to the issue of the Conversion Shares on exercise of the Conversion Rights attached to the 2023 Convertible Note).”

Terms defined in this joint circular of Eminence and Easyknit International Holdings Limited dated 21 January 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, 21 January 2023

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 **blue** 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.

NOTICE OF THE EMINENCE SGM

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 Friday, 10 February 2023 to Wednesday, 15 February 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 Thursday, 9 February 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. All 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.