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## **EMINENCE ENTERPRISE LIMITED**

**高山企業有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 616)**

### **MANDATE FOR POSSIBLE ACQUISITION AND MANDATE FOR POSSIBLE DISPOSAL IN RELATION TO AUCTION OF WING CHEONG FACTORY BUILDING NO. 121 KING LAM STREET, KOWLOON, HONG KONG**

The Group owns 18 units and 2 car parks of Wing Cheong Factory Building and has filed an application for an order to sell all the undivided shares of Wing Cheong Factory Building.

It is expected that the Lands Tribunal will order sale of the Wing Cheong Factory Building by public auction.

The Board intends to seek the approval of the Shareholders to bid at the Auction and if successful to proceed with the Possible Acquisition, and /or effect some or all of the Possible Acquisition by agreement with owners of Remaining Units, before the order for sale is made, at a price not exceeding the valuation of the relevant Remaining Units. As one or more of the applicable percentage ratios of the Possible Acquisition will exceed 25% but less than 100%, the Possible Acquisition would constitute a major transaction for the Company under Rule 14 of the Listing Rules and therefore it is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Possible Acquisition will not be a very substantial acquisition.

As one or more of the applicable percentage ratios of the Possible Disposal exceeds 75%, the Possible Disposal would constitute a very substantial disposal for the Company under Rule 14 of the Listing Rules and therefore it is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

If the Company is not successful at the Auction, the Company will be obliged to sell its entire interest in Wing Cheong Factory Building to the successful bidder. The Board intends to seek the approval of the Shareholders at the SGM to dispose of the 18 units and 2 car parks of Wing Cheong Factory Building by public Auction.

A circular containing, among other things, (i) further information on the Mandate for Possible Acquisition and the Mandate for Possible Disposal; (ii) financial information of the Group; (iii) an independent property valuation report on Wing Cheong Factory Building including the Remaining Units; (iv) notice of the SGM; and (v) other information required under the Listing Rules will be dispatched to Shareholders on or before 30<sup>th</sup> September 2019.

## **BACKGROUND**

The Company, through its wholly-owned subsidiary, is the registered owner of 18 units and 2 car parks of Wing Cheong Factory Building with a total saleable area of 36,216 sq.ft. representing approximately 86.36% of the undivided shares of Wing Cheong Factory Building.

On 12 September 2018, the Company filed an application to the Lands Tribunal pursuant to the Ordinance for an order to sell all the undivided shares of Wing Cheong Factory Building (including those owned by the Group, as required by the Ordinance) for the purposes of the redevelopment of Wing Cheong Factory Building site, with the intention to bid in the Auction and acquiring the Remaining Units (being 6 units) held by the Registered Owners representing 13.64% of the undivided shares of Wing Cheong Factory Building.

On 22 May 2019 the Lands Tribunal set down the application for the Hearing to be held on 21 October 2019 and after the Hearing, it is expected the Lands Tribunal will, inter alia, make an order for the sale the Wing Cheong Factory Building by public auction and set a reserve price and date for the Auction. The Company may seek to effect some or all of the Possible Acquisition by agreement with owners of Remaining Units, before the order for sale.

## **MANDATE FOR POSSIBLE ACQUISITION**

The Company plans to bid at the Auction for Wing Cheong Factory Building.

If the Company is the successful bidder at the Auction, the consideration for the acquisition of the Remaining Units payable by the Company would be approximately 13.64% of the winning bid price.

The Board intends to seek the approval of the Shareholders at the SGM for, inter alia the mandate to:

- bid at the Auction at or above the reserve price determined by the Lands Tribunal and if successful to proceed with the Possible Acquisition, and /or
- effect some or all of the Possible Acquisition by agreement with owners of the Remaining Units, before the order for sale, at a price not exceeding the valuation of the relevant Remaining Units,

such mandate to be valid for 12 months from the date of the Shareholders' approval.

## **MANDATE FOR POSSIBLE DISPOSAL**

If the Company is not successful at the Auction, the Company will be obliged to sell its entire interest in the 18 units and 2 car parks of Wing Cheong Factory Building to the successful bidder at the Auction.

The Board intends to seek the approval of the Shareholders at the SGM for, inter alia, the mandate to dispose of the 18 units and 2 car parks of Wing Cheong Factory Building by public Auction, such mandate to remain valid for 12 months from the date of the Shareholders' approval.

## **FAILURE TO OBTAIN SHAREHOLDERS' APPROVAL**

In the event either or both Mandates are not approved by Shareholders, the Company will either seek a stay of proceedings or withdraw its application for an order for sale. No decision about which is preferable has yet been made. The latest time to withdraw the application is the first day of the Hearing.

A stay of proceedings will give the Company time to consider its position and if thought appropriate to seek approval for the Mandates, with or without amendment, if it decides that to do so is in its interest. The Company may recommence proceedings or withdraw its application for an order for sale if it so decides.

## **INFORMATION ON WING CHEONG FACTORY BUILDING**

Wing Cheong Factory Building, a 49 years' building, is a 10-storey industrial building comprising 24 units and 2 car parking areas located at No. 121 King Lam Street, Kowloon, Hong Kong (also known as New Kowloon Inland Lot no. 4474 or "the Lot"). It is erected on the Lot and has a registered site area of approximately 5,483 sq.ft.

According to a valuation report issued by Savills Valuation and Professional Services Limited, the value of the Lot on a redevelopment basis was HK\$365,000,000 as of 12 February 2019.

If the Company is successful at the Auction, Wing Cheong Factory Building will be demolished and redeveloped into an industrial mixed-use building with car parking spaces to maximize the usage and potential of the Lot to its fullest extent.

### ***Information on the 18 units and 2 car parks owned by the Group***

The Company, through its wholly-owned subsidiary, is the registered owner of 18 units and 2 car parks of Wing Cheong Factory Building with a total saleable area of 36,216 sq.ft. representing approximately 86.36% of the undivided shares of Wing Cheong Factory Building. As at the date of the announcement, 15 units and 2 car parks have been leased and the annual rental is approximately HK\$5,193,840.

The book value of the Group's 18 units and 2 car parks in Wing Cheong Factory Building as at 31 March 2019 was HK\$269,217,275. According to the valuation report issued by Vigers Appraisal and Consulting Limited, the market value for the 18 units and 2 car parks as of 31 March 2019 owned by the Group was approximately HK\$183,260,000. The net profits after taxation attributable to the Group's 18 units and 2 car parks in Wing Cheong Factory Building for the financial year ended 31 March 2018 was a profit HK\$94,070 and a loss of HK\$389,297 for the financial year ended 31 March 2019 respectively.

### ***Information on the Remaining Units***

The Remaining Units are Units A, B, C, D, E and F on the ground floor of Wing Cheong Factory Building with a total saleable area of approximately 2,183 sq.ft. The Registered Owners are the owners of the Remaining Units.

No tenancy agreement was found on a search of the Land Registry. The Company tried to obtain financial information about the Remaining Units required by the Listing Rules and approached the owners of the Remaining Units. Despite repeated requests made by the Company to the Registered Owners, the Company has been unable to gain access to the underlying books and records relating to the Remaining Units and therefore has no information regarding the income, net profits, direct costs and other expenses relating to the Remaining Units.

The relevant information of the Remaining Units is not available to the Company despite its repeated efforts to obtain the same, and as the Company intends to redevelop Wing Cheong Factory Building, the historical information of the Remaining Units would not be useful or relevant to the Shareholders. The Company has therefore applied for waivers for strict compliance on Listing Rules 14.58(4), 14.58(7), and 14.67(6)(b)(i)&(ii) and the same was granted by Stock Exchange.

### **BID PRICE AT THE AUCTION**

The Company may bid at or more than the reserve price at the Auction. If the Company is the successful bidder, the Company will be obliged to pay the apportioned winning bid price to the Registered Owners with reference to their ownership percentage of Wing Cheong Factory Building. Accordingly, the consideration for the acquisition of the Remaining Units payable by the Group would be approximately 13.64% of the successful bid price. All stamp duty and registration fees on transfer of the Remaining Units will be payable by the Company, if it is the successful bidder at the Auction. The Possible Acquisition will be financed by bank loans and cash from internal resources of the Company.

The Company will consider, inter alia, the following factors in making a decision on whether to bid and its bid price at the Auction which will in any event not be less than the reserve price as determined by the Lands Tribunal:

1. the valuation report issued by Vigers Appraisal and Consulting Limited valuing the Lot as at 31 March 2019;
2. the valuation report issued by Savills Valuation and Professional Services Limited valuing the Lot as at 12 February 2019;
3. the latest valuation report of Wing Cheong Factory Building which will be prepared in September 2019 for the Hearing;
4. the existing use value and redevelopment value of Wing Cheong Factory Building;
5. the latest transacted prices of comparable properties in Cheung Sha Wan at the time;
6. the breakeven price on the sale of 18 units and 2 car parks of Wing Cheong Factory Building owned by the Group based on their aggregate book value as at 31 March 2019, being HK\$269,217,275;
7. the availability of internal resources and banking facilities;
8. the property market condition at the time of the Auction and in the near and mid-term; and
9. the bids made by competitors at the Auction.

In order not to compromise the commercial interests of the Company by revealing commercial secrets and place the Company in a disadvantaged position against other bidders and/or competitors, the maximum price which the Company is willing to pay will not be

disclosed in this announcement or the circular but the Company will not bid at a price that if successful would make the acquisition of the Remaining Units a very substantial acquisition. The Directors believe that given the transparency of the Tribunal's determination of the reserve price, after taking into consideration the valuations of independent professional valuers at the Hearing, the Auction of Wing Cheung Building will at least be at fair current market values and not detrimental to the interest of the Company. The Company has applied for a waiver from strict compliance with Listing Rule 14.58(4) and the same has been granted by the Stock Exchange.

Shareholders should be aware of the following latest transactions of comparable properties in Cheung Sha Wan:

<b>Transaction Date</b>	<b>Description of the Property</b>	<b>Age of the Building</b>	<b>Saleable Area (sq. ft.)</b>	<b>Consideration (HK\$)</b>	<b>Price psf (HK\$)</b>
30 June 2017	Unit A, G/F, Hang Cheong Factory Building, 1 Wing Ming Street	49	1,057	14,500,000	13,718
22 February 2017	Unit 5, G/F., Yuen Shing Industrial Building, 1033 Yee Kuk West Street	31	1,602	17,300,000	10,799
3 August 2015	Unit B3, G/F., Por Mee Factory Building, 500 Castle Peak Road	48	488	6,800,000	13,934

## **AUCTION PROCESS**

The Hearing of the Lands Tribunal has been set for 21 October 2019 and the Company expects that after the Hearing an order for sale will be made by the Lands Tribunal for the sale of the entire Wing Cheong Factory Building (including the Remaining Units and those units owned by the Group) by way of public auction with a reserve price. The Company understands that in determining reserve price in hearings of this nature the Lands Tribunal generally takes into account the valuations made by independent professional valuers and the reserve price in the Auction is likely to be in line with the current market values determined by such independent professional valuers. In normal circumstances, the Auction shall be held within three (3) months from the date of the order for sale made by the Lands Tribunal, with an extension of another three (3) months if the circumstances so require.

The Lands Tribunal will appoint two (2) trustees, who will be in charge of the conduct of the Auction and subsequent apportionment and distribution of sale proceeds. The trustees to be appointed are usually qualified solicitors practicing in Hong Kong and a third party independent of the Company, its subsidiaries and their respective associates (as defined in the Listing Rules). The Auction will be open to the public and any party may bid at the Auction.

The Company understands that the bidding process for the Auction will be fully in accordance with normal market practice and conducted by a professional auctioneer appointed by the trustees and that Wing Cheong Factory Building will be sold to the highest bidder at the Auction, providing the reserve price is met.

At the Auction, bidders will make open bids for Wing Cheong Factory Building in full view of each other and with each bid being immediately known to all participants, as in a Government land auction, in a process controlled by the auctioneer. The Company believes that the terms of the Auction will be consistent with the best market practice overseen by the trustees who are independent professionals.

According to Section 5(4) of the Ordinance, if Wing Cheong Factory Building is not sold by auction within three (3) months from the date of the order for sale (or, if the Lands Tribunal grants an extension for another three (3) months, then a total of six (6) months) the order for sale will cease to have any legal effect. Upon the order for sale being annulled, the Company and the Registered Owners shall continue to hold their same interest(s) (respectively) as that prior to the commencement of the application under the Ordinance as if no application was ever made for the order for sale.

Given the open bidding process at the Auction, the publicly available information on Wing Cheong Factory Building, the valuation(s) of Wing Cheong Factory Building and the transparent nature of the Hong Kong property market, the Directors are satisfied that they have all information necessary to make a properly-informed bid at the Auction.

#### **REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION**

The reason for the Possible Acquisition is to gain full ownership of Wing Cheong Factory Building for redevelopment and to unlock the commercial potential for the Lot.

The value of the entire Wing Cheong Factory Building including the Remaining Units lies in the redevelopment potential of the Lot instead of its current use value.

The Directors consider that Wing Cheong Factory Building site has great commercial potential given its good location and redevelopment potential. Success at the Auction would enable the Company to unlock the commercial value of the Lot which will contribute to revenue for the Group. Having evaluated the viability of the Wing Cheong Factory Building redevelopment project on a number of fronts, including financial viability, the Company took the view that it is beneficial to proceed with the project.

The Directors consider that the Possible Acquisition is in the interests of the Company and the Shareholders as a whole and that the terms of sale by public auction will be fair and reasonable.

#### **REASONS FOR AND BENEFITS OF THE POSSIBLE DISPOSAL**

If the Company is not successful at the Auction, the Company will sell all 18 units and 2 car parks of Wing Cheong Factory Building owned by the Company to the successful bidder.

The aggregate book value of the Group's 18 units and 2 car parks in Wing Cheong Factory Building as at 31 March 2019 was HK\$269,217,275. Based on the valuation report issued by Savills Valuation and Professional Services Limited, the market value on a redevelopment basis of the entire Wing Cheong Factory Building as at 12 February 2019 was approximately HK\$365,000,000. If the Possible Disposal proceeds at such valuation price, the implied value for the 18 units and 2 car parks will be approximately HK\$310,525,000. Accordingly, the Company expects to recognize a gain on disposal of approximately HK\$41,307,725 (being

the excess of the valuation over the book value). The actual amount of the gain will depend on the successful bidder's bid price.

Although the Company would lose the opportunity to redevelop the Lot, the disposal would improve its cash flow and realise a gain for the Group. The sale proceeds received from the Possible Disposal will be used by the Group for in or towards financing the acquisition of properties on Davis Street, Kennedy Town announced by the Company on 10 July 2019, and all associated costs, as well as future projects and for general working capital.

Based on the above reasons, the Directors are of the view that the Possible Disposal is in the interests of the Company and the Shareholders as a whole and that the terms of sale by public auction will be fair and reasonable.

## **IMPLICATIONS UNDER THE LISTING RULES**

Based on the valuation report issued by Savills Valuation and Professional Services Limited, the market value on a development basis of the entire Wing Cheong Factory Building as at 12 February 2019 was approximately HK\$365,000,000.

### ***The Possible Acquisition***

If the consideration for the Possible Acquisition is HK\$365,000,000, the implied value of the Remaining Units will be approximately HK\$54,475,000. As one or more of the applicable percentage ratios of the Possible Acquisition will exceed 25% but less than 100%, the Possible Acquisition would constitute a major transaction for the Company under Rule 14 of the Listing Rules and therefore it is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Possible Acquisition of the Remaining Units will be a major transaction but will not be a very substantial acquisition.

### ***The Possible Disposal***

If the consideration for the Possible Disposal is HK\$365,000,000, the implied value of the 18 units and 2 car parks owned by the Group will be approximately HK\$310,525,000. As one or more of the applicable percentage ratios of the Possible Disposal exceeds 75%, the Possible Disposal would constitute a very substantial disposal for the Company under Rule 14 of the Listing Rules and therefore it is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

## **INFORMATION ON THE REGISTERED OWNERS**

According to public records, Xiu Chuan Limited, one of the Registered Owners, is a company incorporated in Hong Kong with limited liability. The principal business of Xiu Chuan Limited is unknown to the Company. The others appear to be individuals unknown to the Company.

To the best of the Directors' knowledge, having made all reasonable enquiries, the Registered Owners of the Remaining Units are third parties, independent of the Company and connected persons of the Company and their respective associates (as defined in the Listing Rules).

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the property investment, property development, securities investment and loan financing businesses. The Group currently holds various commercial, industrial and residential properties in Hong Kong, Singapore and the PRC.

## **NON-PARTICIPATION AT AUCTION BY EASYKNIT INTERNATIONAL HOLDINGS LIMITED AND ITS DIRECTORS, AND THE COMPANY'S DIRECTORS**

Easyknit International Holdings Limited (“**Easyknit**”), the securities of which are listed on the main board of the Stock Exchange (Stock Code: 1218), through its wholly-owned subsidiaries, holds approximately 19.84% of the issued voting shares in the Company as at the date of this announcement. Easyknit and its directors and their respective associates (as defined in the Listing Rules) have confirmed that they will each not participate in the Auction. The Company’s directors and their respective associates (as defined in the Listing Rules) have also confirmed that they will each not participate in the Auction.

## **GENERAL**

An application has been made by the Company to the Stock Exchange for appropriate waivers from the disclosure requirements under Listing Rules 14.58(4), 14.58(7), and 14.67(6)(b)(i) & (ii) and such waivers have been granted by the Stock Exchange.

A circular containing, among others, (i) further information on the Mandate for Possible Acquisition and the Mandate for Possible Disposal; (ii) financial information of the Group; (iii) an independent property valuation report on Wing Cheong Factory Building including the Remaining Units; (iv) notice of the SGM; and (v) other information required under the Listing Rules will be dispatched to Shareholders on or before 30 September 2019 as the Company will need more time to prepare and finalize certain information to be included in the circular.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Mandate for Possible Acquisition and Mandate for Possible Disposal.

To the best of the Directors’ information, knowledge and belief having made all reasonable enquiries, no Shareholder has a material interest in the Possible Acquisition and the Possible Disposal and no Shareholder will require to abstain from voting at the SGM.

## **WARNING**

**As the Mandate for Possible Acquisition and the Mandate for Possible Disposal is conditional upon the approval of Shareholders, accordingly, the Possible Acquisition and the Possible Disposal may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings set opposite them:-

“Auction”	the public auction of the entire interest in Wing Cheong Factory Building on an “as-is” basis expected to take place by order of the Lands Tribunal and/or any postponement thereof
“Board”	the board of Directors of the Company
“Company”	Eminence Enterprise Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 616)
“Group”	the Company and its subsidiaries
“Hearing”	the hearing by the Lands Tribunal for an order for sale of Wing Cheong Factory Building
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Lands Tribunal”	the Lands Tribunal established under the Lands Tribunal Ordinance (Cap. 17)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot”	New Kowloon Inland Lot No. 4474
“Mandate for the Possible Acquisition”	the mandate proposed to be granted by the Shareholders at the SGM to the Directors to bid at the Auction at or above the reserve price determined by the Lands Tribunal and if successful to proceed with the Possible Acquisition, or to effect some or all of the Possible Acquisition by agreement before the order for sale
“Mandate for the Possible Disposal”	the mandate proposed to be granted by the Shareholders at the SGM to the Directors to dispose of 18 units and 2 car parks of Wing Cheong Factory Building in the Auction
“Ordinance”	the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545)
“Possible Acquisition”	the acquisition of the Remaining Units

“Possible Disposal”	the disposal of the Company’s entire interest in the 18 units and 2 car parks of Wing Cheong Factory Building
“Registered Owners”	the registered owners of the Remaining Units as recorded in the land register of the Hong Kong Land Registry being: <ul style="list-style-type: none"> <li>(i) Xiu Chuan Limited, registered owner of Unit A, G/F., Wing Cheong Factory Building;</li> <li>(ii) Ng Suk Ha, registered owner of Unit B, G/F., Wing Cheong Factory Building;</li> <li>(iii) Cheung Kwan Tar, registered owner of Units C, D and E, G/F., Wing Cheong Factory Building; and</li> <li>(iv) Lo King Wai, registered owner of Unit F, G/F., Wing Cheong Factory Building</li> </ul>
“Remaining Units”	the six (6) units of Wing Cheong Factory Building not owned by the Group, being Units A, B, C, D, E and F of the ground floor of Wing Cheong Factory Building
“SGM”	the special general meeting of the Company to be convened to consider and if thought fit approve the Possible Acquisition and the Possible Disposal
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Wing Cheong Factory Building”	an industrial building at No. 121 King Lam Street, Kowloon, Hong Kong

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

Hong Kong, 8 August 2019

*As at the date hereof, the board of directors of the Company comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors; Mr. Kan Ka Hon, Mr. Lau Sin Ming, and Mr. Wu Koon Yin Welly as independent non-executive directors.*