THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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

VERY SUBSTANTIAL ACQUISITION CONCERNING ACQUISITION OF A COMPANY HOLDING PROPERTIES

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 11 April 2018 at 9:00 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

15 March 2018

CONTENTS

Page

In this circular, unless the contents otherwise requires, the following expressions have the meanings as set out below.

"Acquisition"	the acquisition of the Sale Interests by the Purchaser from the Vendor pursuant to the Provisional Agreement or (if executed) the Formal Agreement
"associate(s)", "close associate(s)" and "subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Audited Completion Accounts"	the audited consolidated financial statements in respect of the Target Group comprising a statement of profit or loss and other comprehensive income of the Target Group for the period from the beginning of the current financial year of the Target Group to the Completion Date
"Board"	the board of Directors
"Company"	Eminence Enterprise Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 616)
"Completion"	completion of the Acquisition under the Provisional Agreement or (if executed) the Formal Agreement
"Completion Date"	the date of Completion, which shall take place on 30 April 2018
"Director(s)"	directors of the Company
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Formal Agreement"	has the meaning ascribed to it under the section headed "THE PROVISIONAL AGREEMENT – Formal Agreement" in this circular
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Third Party(ies)"	a third party independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
"Latest Practicable Date"	Friday, 9 March 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lion Capital" or "Purchaser"	Lion Capital Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Tangible Assets Value"	the aggregate of all tangible assets (including but not limited to cash at bank and all deposits and prepayment) of the Target Group which are readily convertible into cash or cash equivalents (excluding the Properties, other fixed assets, intangible assets and deferred tax), less the aggregate of all liabilities (excluding the Sale Loans, loan(s) owing to the mortgagee of the Properties) and provisions of the Target Group as at the Completion Date
"percentage ratios"	has the meaning ascribed to it under the Listing Rules
"Proforma Accounts"	the proforma management accounts of the Target Group for the period from the beginning of the current financial year of the Target Group to the Completion Date
"Properties"	all the properties held by the Target Company, including office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor (with a total saleable area of approximately 11,316 square feet) and carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong
"Property 1"	Unit 1201A of Capital Centre, No. 151 Gloucester Road, Hong Kong, being one of the Properties held by the Target Company
"Property 2"	Unit 1202 of Capital Centre, No. 151 Gloucester Road, Hong Kong, being one of the Properties held by the Target Company

"Provisional Agreement"	the provisional sale and purchase agreement dated 11 January 2018 entered into between the Purchaser and the Vendor in respect of the Acquisition
"Sale Interests"	the Sale Shares and the Sale Loans
"Sale Loans"	the shareholders' loans due and owing by the Target Group to the Vendor and Vendor's subsidiaries (other than the Target Company and the Subsidiary) at Completion, which amounts to approximately HK$221 million as at 31 December 2017
"Sale Shares"	the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering, if thought fit, approving the Provisional Agreement, (if executed) the Formal Agreement and the transactions contemplated under the Provisional Agreement and (if executed) the Formal Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	Best Legend International Holdings Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Target Company
"Target Company"	Empire Sail Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Vendor
"Target Group"	collectively, the Target Company and the Subsidiary
"Vendor"	Brilliant Circle Holdings International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1008)

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

Executive Directors:
Mr. Kwong Jimmy Cheung Tim
(Chairman and Chief Executive Officer)
Ms. Lui Yuk Chu
(Deputy Chairman)

Independent Non-executive Directors:
Mr. Kan Ka Hon
Mr. Lau Sin Ming
Mr. Foo Tak Ching
Mr. Wu Koon Yin Welly

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

15 March 2018

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION CONCERNING ACQUISITION OF A COMPANY HOLDING PROPERTIES

INTRODUCTION

Reference was made to the Company's announcement dated 11 January 2018. The Directors announced that Lion Capital (a wholly-owned subsidiary of the Company) entered into the Provisional Agreement, pursuant to which (i) Lion Capital has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Interests (comprising the Sale Shares and the Sale Loans) for a consideration of HK$295 million (subject to adjustments); and (ii) Lion Capital has agreed, subject to Completion, to grant a lease back to the Vendor or its nominee for each of Property 1 and Property 2 at the monthly rentals of HK$256,240 and HK$62,559 respectively for two years commencing from the next date immediately following the Completion Date.

THE PROVISIONAL AGREEMENT

The principal terms and conditions of the Provisional Agreement are summarised below:

The Acquisition of the Properties

Date

11 January 2018

Parties

(1) Lion Capital, a wholly-owned subsidiary of the Company, as the Purchaser; and

(2) the Vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Subject Matter

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Interests, comprising the Sale Shares and the Sale Loans. The Sale Shares are the entire issued share capital of the Target Company. The Vendor shall procure repayment of all amounts owing by the Target Company under the existing mortgage of the Properties on or before the Completion Date. The Target Company shall on Completion have no outstanding borrowing or indebtedness other than the Sale Loans and rental deposit, prepayment received and accrued accounts payable (if any).

The Target Company is the sole legal and beneficial owner of the Properties and also holds 100% equity interest in the Subsidiary, which is an investment holding company with no material assets/liabilities except a loan to the Target Company.

Consideration and payment terms

The consideration for the Acquisition is HK$295 million, subject to adjustments with reference to the Net Tangible Assets Value of the Target Company as stated in the section headed "THE PROVISIONAL AGREEMENT – Consideration adjustments" below.

The consideration for the Acquisition shall be paid by Lion Capital in the following manners:

(i) an initial deposit of HK$14.75 million upon the signing of the Provisional Agreement;

(ii) a further deposit of HK$14.75 million within 10 calendar days from the date of the Provisional Agreement; and

(iii) an amount of HK$265.50 million for the balance of the consideration for the Acquisition upon Completion.

The consideration (including the deposits) for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the valuation of the Properties of HK$303 million as at 31 December 2017, as assessed by Vigers Appraisal and Consulting Limited, an independent valuer, adopting the market approach.

The payment for the deposits of the Acquisition have been settled in cash on hand by the Group and the remaining balance will be financed by bank financing.

Consideration adjustments

The Vendor shall deliver the Proforma Accounts to the Purchaser at least five (5) days prior to the Completion Date.

If the Net Tangible Assets Value as at the Completion Date as shown in the Proforma Accounts is more or less than zero, the consideration for the Acquisition shall be adjusted upwards or downwards (as the case may be):

(i) by adding all current tangible assets of the Target Group (including but not limited to cash at bank and all deposits and prepayment) as shown in the Proforma Accounts; and

(ii) by deducting all liabilities of the Target Group as shown in the Proforma Accounts (excluding the Sale Loans, loan(s) owing to the mortgagee of the Properties).

The Vendor shall deliver to the Purchaser within 30 days from the Completion Date the Audited Completion Accounts. If the Net Tangible Assets Value as shown in the Audited Completion Accounts is more or less than the Net Tangible Assets Value as shown in the Proforma Accounts, the Purchaser or the Vendor (as the case may be) shall pay the difference to the other party within 7 days from the date of receipt of the Audited Completion Accounts by the Purchaser.

Leasing back of Property 1 and Property 2

Lion Capital has agreed, subject to and upon Completion, to grant a lease back to the Vendor or its nominee for each of Property 1 and Property 2, details of which are as follows:

Landlord:	Purchaser
Tenant:	Vendor or its nominee
Premises:	Property 1 – an office located at Unit 1201A of Capital Centre, No. 151 Gloucester Road, Hong Kong, with a gross floor area of approximately 4,326 square feet Property 2 – an office located at Unit 1202 of Capital Centre, No. 151 Gloucester Road, Hong Kong, with a gross floor area of approximately 1,565 square feet
Lease term:	Two years commencing from the next date immediately following the Completion Date
Rental:	Property 1 – HK$256,240 per month Property 2 – HK$62,559 per month
Security deposit:	2 months' rental
Notice of termination:	Not less than 4 months' written notice on or after expiration of 8 calendar months of the tenancy term (i.e. minimum tenancy term being 12 months)

The aforesaid rental has been determined after arm's length negotiations between the Purchaser and the Vendor with reference to the prevailing market rates for similar type and size of premises in the vicinity.

Formal Agreement

As at the Latest Practicable Date, the Vendor and the Purchaser are still negotiating in good faith and with their reasonable endeavours for the terms of the Formal Agreement for the Acquisition and no Formal Agreement has been entered into by the parties. Based on the ongoing negotiation, the Directors do not expect the terms of the Formal Agreement will have any material deviation from those of the Provisional Agreement.

Conditions Precedent in the Provisional Agreement

Completion is conditional upon:

(a) the Purchaser having completed its due diligence investigation on the business, financial, legal and all other aspects of the Target Group and satisfied with the results thereof;

(b) the Vendor shall at its own cost procure the Target Company to prove and give a good title to the Properties in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

(c) all the representations, undertakings and warranties given by the Vendor under the Provisional Agreement and (if executed) the Formal Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion; and

(d) the Shareholders' approval having been obtained by the Company in respect of the Provisional Agreement, (if executed) the Formal Agreement and the transactions contemplated under the Provisional Agreement (including the leasing back arrangement) and (if executed) the Formal Agreement pursuant to the Listing Rules.

If any of the conditions precedent in the Provisional Agreement is not fulfilled (or waived by the Purchaser, provided that sub-clause (d) above cannot be waived under any circumstances) on or before the Completion Date, the Purchaser shall be entitled to cancel the transactions contemplated under the Provisional Agreement whereupon the Vendor shall return all the deposit and money paid to the Purchaser within 3 working days of such cancellation and the Provisional Agreement shall be terminated automatically. If the Company is unable to obtain the Shareholders' approval on or before the Completion Date, the Vendor shall be entitled to forfeit the initial and further deposits as liquidated damages and the Provisional Agreement or (if executed) the Formal Agreement shall be terminated with no further force or effect.

Notwithstanding that the deposits would be forfeited if no Shareholders' approval can be obtained on or before the Completion Date, the Board considers that the terms of the Acquisition (including the deposits arrangement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole on the following basis:

(a) as disclosed in the section headed "Information of the Properties" of this circular below, the Properties are located in the prime location of business district in Wanchai with excellent transport links. In addition, as set out in the section headed "Reasons for and benefits of the Acquisition" of this circular below, the Acquisition provides an opportunity for the Group to expand and diversify its property investment portfolio, generate a steady flow of rental income for the Group, and potentially capture a value appreciation of the Properties. When assessing potential benefits for the

Acquisition, the Board took into account of the valuation of the Properties as assessed by the independent valuer, the asking prices of remaining units in the same building available for sale and recent transaction prices for whole floor office of the same grade in the vicinity;

(b) the deposits arrangement (including the forfeiture arrangement) was proposed and insisted by the Vendor as an essential term to the Acquisition, which was arrived at after arm length's negotiations between the Vendor and the Purchaser. The Board, after considering that the placing of a non-refundable deposits is in line with the market practice for similar property transactions in Hong Kong, took the view that the non-refundable deposits arrangement would be inevitable to secure the Acquisition;

(c) the Board considers that the deposits forfeiture risk is relatively low, as Landmark Profits Limited and Goodco Development Limited, who together hold an aggregate of approximately 24.93% of the issued share capital in the Company, have indicated to the Company that they would vote in favour of the resolution to be proposed at the SGM to approve the Provisional Agreement and the transactions contemplated thereunder; and

(d) as the deposits of HK$29.50 million amounted to less than 1% of the total assets of the Group, the Board considers that the forfeiture of the deposits, if materialises, would not have a material adverse impact on the financial conditions or cash flow of the Group.

Stamp Duty and Costs

Each of the Vendor and the Purchaser shall pay its own legal costs and expenses incidental to the Provisional Agreement and the Formal Agreement (if executed) and all transactions in connection therewith. All stamp duty payable on the transfer of the Sale Shares and the Sale Loans shall be borne by the Purchaser.

Completion of the Provisional Agreement

The Provisional Agreement provides that, subject to all the conditions precedents to the Acquisition are satisfied or waived (except for the Shareholders' approval which cannot be waived as set out above), Completion shall take place on 30 April 2018. Upon Completion, each of the Target Company and the Subsidiary will become wholly-owned subsidiaries of the Company.

INFORMATION ABOUT THE TARGET GROUP

The Vendor is the sole legal and beneficial owner of the Target Company, which in turn holds the entire issued share capital of the Subsidiary. The Target Company is the sole legal and beneficial owner of the Properties. The principal activities of the Target Group are property investment and receiving rental/license fee income. The Subsidiary is principally engaged in property investment.

As extracted from the financial information of the Target Group for the period from 22 May 2015 (date of incorporation of the Target Company) to 31 December 2016, the audited loss before taxation and loss after taxation of the Target Group for the period were approximately HK$10.7 million and HK$11.5 million respectively as set out in Appendix II.

As extracted from the financial information of the Target Group for the year ended 31 December 2017, the audited loss before and loss after taxation of the Target Group were approximately HK$12.0 million as set out in Appendix II . The audited consolidated net liabilities of the Target Group as at 31 December 2017 was approximately HK$23.5 million.

INFORMATION OF THE PROPERTIES

The Properties are located in the prime location of business district in Wan Chai. Situated in Gloucester Road, the Properties enjoy the sea view of Victoria Harbour. Developments in the vicinity predominately comprise commercial buildings and hotels such as The Sun's Group Centre and King's Hotel etc. The Properties benefit from its excellent transport links with readily available public transportation. The Properties are located within 10-minute walking distance from MTR Wan Chai Station.

The Properties offer a large floor area rarely found on Hong Kong Island side, comprises office units 01, 02, 03, 05, 06, 07, 08, and 09 (whole floor) on the 12th Floor, with a total saleable area of approximately 11,316 square feet, and car parking spaces numbers 329, 330 and 331 on the 3rd floor of Capital Centre, No. 151 Gloucester Road, Hong Kong, which is a 25-storey office building erected over 3-storey car parking space, a commercial podium as well as a basement. The building was completed in 1982.

As of the Latest Practicable Date, Unit 1201 of the Properties with the saleable area of 4,326 square feet is subject to a license commencing on 1 June 2016 with a monthly license fee of HK$10,000 whilst the remaining Properties is occupied by the Vendor. The licence will be terminated upon Completion.

The management of the Company currently expects the commercial property market of Hong Kong to be in a rising trend in the future and after Completion, the Board intends to lease out the Properties with a view to generate a steady flow of rental income for the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the principal activities of the Group is property investment. The Board believes that the Acquisition is in line with the investment strategies of the Group and provides an opportunity to expand and diversify its property investment portfolio and generate a steady flow of rental income to the Group. The Board also expects a value appreciation of the Properties in consideration of the current commercial property market. Where opportunity arises in the property market, the Directors may consider to divest all or part of its interest in the Properties in order to unlock the value of the Properties. The Directors will undertake strategic reviews of the Group's assets from time to time with a view to maximising returns to the Shareholders.

Taking into account of the Company's current cash balance and the funding needs of the other development projects of the Company, the payment of the deposits of the Acquisition has been settled in cash by the Company and the remaining balance of the consideration for the Acquisition will be financed by bank financing.

The Board considers that the terms of the Provisional Agreement (including the deposits arrangement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, THE PURCHASER AND THE VENDOR

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

Lion Capital is a wholly-owned subsidiary of the Company and is principally engaged in property investment.

The Vendor is a company incorporated in the Cayman Islands with limited liability, which is principally engaged in property investment. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the effect of the Acquisition is that the loss would be decreased by approximately HK$8.7 million.

Assets and Liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the effect of the Acquisition is that (i) investment properties would be increased by approximately HK$303.0 million; (ii) trade and other receivables would be increased by approximately HK$0.2 million; (iii) cash reserve would be decreased by approximately HK$296.9 million; (iv) trade and other payables would be increased by approximately HK$0.7 million; and (v) tax payable would be increased by approximately HK$0.8 million.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios set out in the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, for which Shareholders' approval is required.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders and their close associates has any material interest in the Acquisition. Therefore, none of them is required to abstain from voting at the SGM.

WARNING

Completion of the Acquisition is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed "THE PROVISIONAL AGREEMENT – Conditions Precedent in the Provisional Agreement" in this circular. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

SGM

A notice convening the SGM to be held on Wednesday, 11 April 2018 at 9:00 a.m. at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for the purpose of considering and, if thought fit, approving, among other things, the Acquisition is set out on pages N-1 to N-2 of this circular.

Whether or not Shareholders are able to attend the SGM, they are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form or proxy will not preclude the Shareholders from subsequently attending and voting in person at the SGM or any adjournment thereof should they so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' eligibility to attend and vote at the SGM, the register of members will be closed from Friday, 6 April 2018 to Wednesday, 11 April 2018, both days inclusive. During such period, no share transfers of the Company will be registered. In order to qualify to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 4 April 2018.

RECOMMENDATION

The Board considers that the terms of the Provisional Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, among others, the Acquisition and matters ancillary thereto as set out in the notice of SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
EMINENCE ENTERPRISE LIMITED
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

1. FINANCIAL SUMMARY OF THE GROUP

Herebelow are the details of the published interim report and annual reports showing the financial information of the Group:

For the six months ended	Publication date of interim report	Pages
30 September 2017	14 December 2017	27 – 64

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1214/LTN20171214320.pdf

For the year ended	Publication date of annual report	Pages
31 March 2017	15 June 2017	74 – 192

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0615/LTN20170615234.pdf

31 March 2016	15 July 2016	61 – 157

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0715/LTN20160715298.pdf

31 March 2015	21 July 2015	60 – 145

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0721/LTN20150721049.pdf

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Acquisition, the present available financial resources, its expected internally generated funds and the present available banking facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS

As at 31 January 2018, the Group had outstanding principal amount of bank borrowings of approximately HK$1,035 million, which were guaranteed by the Company and secured by certain properties (including the investment properties and the properties held for development for sale with aggregate carrying amounts of approximately HK$981.3 million and HK$1,531.5 million respectively) being owned by the Group.

Apart from as disclosed above and the intra-group liabilities, the Enlarged Group did not have at the close of business on 31 January 2018 any debt securities authorised or created by unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group will continue focusing its efforts in the development of its exiting principal businesses: (1) property investment; (2) property development; (3) securities investment; (4) loan financing business and other potential projects with a view to providing steady returns for its Shareholders and bring fruitful growth to the Enlarged Group.

In Hong Kong, despite additional measures imposed by the government to cool the housing market, the impact on the property market was only short-lived. With the prevailing low interest rates and the record of high transacted land prices in the recent land auctions, sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong.

In addition, the Enlarged Group will further extend its principal business and direct its resources to loan financing services and it is expected that such business will continue to be part of the main income stream of the Enlarged Group.

Meanwhile, we will also maintain a stringent financial policy and a prudent cash flow management to ensure reasonable liquidity for the Enlarged Group's operations as well as for its existing and future investments.

The Directors believe that, in such a volatile economic environment, these operation strategies will enable the Enlarged Group to maintain its competitiveness and mitigate risks, thereby ensuring the Enlarged Group sustainable growth.

5. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2017, (the date to which the latest published audited financial statements of the Company were made up,) up to and including the Latest Practicable Date, save as disclosed in the following agreements:

(i) the placing agreement dated 3 July 2017 entered into between the Company and Get Nice Securities Limited, as the placing agent, to place 325,000,000 new Shares of the Company at a placing price of HK$0.08 per Share;

(ii) the subscription agreement dated 7 August 2017 entered into between the Company and Goodco Development Limited, a wholly-owned subsidiary of Easyknit International Holdings Limited ("**Easyknit**"), relating to the issue of a 3% per annum coupon rate of a convertible note for a principal amount of HK$28,200,000 conferring the rights to convert the Shares on the basis of the conversion price of HK$0.06 per Share till 2020;

(iii) a sale and purchase agreement dated 14 August 2017 entered into between Treasure Arts International Group Limited, a wholly-owned subsidiary of the Company, as purchaser and a seller to acquire workshop space A1, 1/F of Fung Wah Factorial Building at a consideration of HK$11,500,000;

(iv) a provisional sale and purchase agreement dated 15 August 2017 entered into between Treasure Arts International Group Limited as purchaser and a seller to acquire workshop D, ground floor of Fung Wah Factorial Building at a consideration of HK$69,800,000;

(v) the sale and purchase agreement dated 20 November 2017 entered into between Treasure Arts International Group Limited and the sellers relating to the acquisition of workshop space A1, ground floor of Fung Wah Factorial Building at a consideration of HK$53,000,000; and

(vi) the placing agreement dated 30 November 2017 entered into between the Company and Get Nice Securities Limited, as the placing agent, to place 447,000,000 Shares of the Company at a placing price of HK$0.055 per Share.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the three financial years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017.

For the year ended 31 March 2015

Business Review

During the year, the Group was principally engaged in garment sourcing and export businesses, property investment, property development, investment in securities and loan financing.

Geographical Analysis of Turnover

During the year, the turnover from garment sourcing and export businesses was mainly derived from customers in the United States ("**US**"). Rental income from the investment properties were derived from properties located in Hong Kong and the People's Republic of China ("**PRC**").

(i) Garment Sourcing and Export Businesses

For the year ended 31 March 2015, this segment recorded a turnover of HK$172,082,000 (2014: HK$142,138,000) representing 21.1% increase comparing with year 2014. Cost of sales for the year amounted to HK$155,172,000 (2014: HK$126,790,000). The loss of HK$3,660,000 (2014: HK$4,908,000) was mainly due to the increasing sourcing and labour costs.

(ii) Property Investment

Turnover from the property investment segment increased by 38.3% to HK$19,256,000 for the year ended 31 March 2015 (2014: HK$13,927,000) of which HK$11,484,000 and HK$7,772,000 were generated from the properties in Hong Kong and the PRC respectively. The increase in turnover is primarily attributed to the completion of construction of investment properties in Huzhou, the PRC, the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

On 30 April 2014, Main Lucky Enterprises Limited, a wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to acquire a property situated at the ground floor, No. 15 Matheson Street, Causeway Bay, Hong Kong at a consideration of HK$236,800,000. This transaction was approved by the shareholders in the special general meeting held on 18 June 2014 and the completion of sale and purchase took place on 20 August 2014.

The Group has 8 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 89,229 sq.m. in Huzhou, PRC.

(iii) Property Development

On 5 September 2014, the Company and Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit International Holdings Limited, entered into a sale and purchase agreement in relation to the sale and purchase of the sale share of Kingbest Capital Holdings Limited (as supplemented by an agreement entered into on 15 September 2014 by the Company and Easyknit Properties Holdings Limited, whereby the Company will indirectly acquire the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong and the sale loan at a consideration of HK$340 million). This transaction was approved by the independent shareholders in the special general meeting held on 20 October 2014 and the completion of sale and purchase took place on 21 November 2014.

On 30 October 2014, Land Bloom Holdings Limited, a wholly owned subsidiary of the Company, entered into five provisional sale and purchase agreements with independent third parties to acquire the 8 properties situated at No. 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong at an aggregate consideration and other related expenses of HK$169,500,000. This transaction was approved by the shareholders in the special general meeting held on 12 January 2015 and the completion of sale and purchase took place on 15 January 2015.

The Group planned to redevelop No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong (the "**Inverness Road Project**"). The general building plan to redevelop the Inverness Road Project has been submitted to Buildings Department in January 2015. The demolition works at No. 14 and 16 Inverness Road has been completed and the demolition works at No. 18 and 20 Inverness Road has also commenced in May 2015.

On 18 March 2015, Chancemore Limited, a wholly owned subsidiary of the Company, entered into ten provisional sale and purchase agreements with independent third parties to acquire ten property units situated at 1st floor, 2nd floor, 3rd floor, 4th floor; 5th floor and the roof of No. 11 and 13 Matheson Street, Causeway Bay, Hong

Kong at an aggregate consideration and the related expenses of HK$183,000,000. This transaction was approved by the shareholders in the special general meeting held on 11 May 2015 and the completion of sale and purchase took place on 17 June 2015.

(iv) Investment in Securities

The Group has maintained a portfolio of listed equity securities in Hong Kong with available-for-sale investments and investments held for trading. For the year ended 31 March 2015, this segment has recorded a gain of HK$43,853,000 (2014: loss of HK$1,738,000).

Financial Review

Liquidity and Financial Resources

As at 31 March 2015, total assets of the Group amounted to HK$1,919,181,000 (2014: HK$1,389,502,000). In terms of financial resources as at 31 March 2015, the Group's total bank balances and cash was HK$204,234,000 (2014: HK$589,458,000), of which, approximately RMB52 million (equivalent to approximately HK$64 million) was tied up in the PRC as investment capital.

As at 31 March 2015, our capital base has been strengthened as a result of an aggregate net proceeds of approximately HK$357,600,000 raised through the completion of 2 placings of new shares of approximately HK$22,500,000 and approximately HK$23,100,000 on 18 June 2014 and 22 August 2014 respectively; and by the completion of issuing rights shares of approximately HK$312,000,000 on 14 November 2014. As at the date of this report, our capital case has been further strengthened as a results of a net proceeds of approximately HK$326,000,000 raised through the completion of issuing rights shares on 22 April 2015.

As at 31 March 2015, the Group has total bank borrowings of HK$293,925,000 (2014: HK$161,902,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity was approximately 0.19 (2014: 0.14). As at 31 March 2015, the Group's current ratio was 5.4 (2014: 19.7).

The Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Capital Reorganisation

The First Capital Reorganisation

On 5 September 2014, the Company announced the Board proposed to effect the capital reorganisation (the "**First Capital Reorganisation**") involving:

(a) share consolidation: that every ten issued and unissued then existing shares of HK$0.01 each be consolidated into one consolidated share of par value HK$0.10 each;

(b) capital reduction: that (i) the issued share capital of the Company be reduced by the cancellation of the paid-up capital of the Company to the extent of HK$0.09 on each of the then issued consolidated shares such that the par value of each issued consolidated share be reduced from HK$0.10 to HK$0.01; (ii) the authorised share capital of the Company be reduced by reducing the par value of all consolidated shares in the authorised share capital of the Company from HK$0.10 each to HK$0.01 each, resulting in the reduction of the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 consolidated shares to HK$20,000,000 divided into 2,000,000,000 adjusted shares of par value HK$0.01 each; and (iii) the credit arising from the reduction of the issued share capital of the Company be transferred to the Company's contributed surplus account; and

(c) authorised capital increase: that the authorised share capital of the Company be increased from HK$20,000,000 divided into 2,000,000,000 adjusted shares to HK$200,000,000 divided into 20,000,000,000 adjusted shares.

Shareholders' approval for the First Capital Reorganisation has been obtained at the special general meeting of the Company held on 20 October 2014 and the First Capital Reorganisation became effective on 21 October 2014. Further details of the First Capital Reorganisation are set out in the Company's circular dated 26 September 2014.

The Second Capital Reorganisation

On 2 February 2015, the Company announced the Board proposed to effect the capital reorganisation (the "**Second Capital Reorganisation**") involving:

(a) share consolidation: that every twenty issued and unissued then existing shares of HK$0.01 each be consolidated into one consolidated share of par value HK$0.20 each;

(b) capital reduction: that (i) the issued share capital of the Company be reduced by the cancellation of the paid-up capital of the Company to the extent of HK$0.19 on each of the then issued consolidated shares such that the par value of each issued consolidated share be reduced from HK$0.20 to HK$0.01; (ii) the authorised share capital of the Company be reduced by reducing the par value of all consolidated shares in the authorised share capital of the Company from HK$0.20 each to HK$0.01 each, resulting in the reduction of the authorised share capital of the Company from HK$200,000,000 divided into 1,000,000,000 consolidated shares to HK$10,000,000 divided into 1,000,000,000 adjusted shares of par value HK$0.01 each; and (iii) the credit arising from the reduction of the issued share capital of the Company be transferred to the Company's contributed surplus account; and

(c) authorised capital increase: that the authorised share capital of the Company be increased from HK$10,000,000 divided into 1,000,000,000 adjusted shares to HK$200,000,000 divided into 20,000,000,000 adjusted shares.

Shareholders' approval for the Second Capital Reorganisation has been obtained at the special general meeting of the Company held on 24 March 2015 and the Second Capital Reorganisation became effective on 25 March 2015. Further details of the Second Capital Reorganisation are set out in the Company's circular dated 2 March 2015.

Fund Raising

(i) On 6 June 2014, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place 65,200,000 placing shares to independent investors at a placing price of HK$0.35 per share.

The placing was completed on 18 June 2014 and the entire 65,200,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK$22,500,000 and intended to be utilised as the general working capital. As at the date of this report, the same has been fully deployed as general working capital.

(ii) On 11 August 2014, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place 78,000,000 placing shares to independent investors at a placing price of HK$0.30 per share.

The placing was completed on 22 August 2014 and the entire 78,000,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK$23,100,000 and intended to be utilised as the general working capital. As at the date of this report, the same has been fully deployed as general working capital.

(iii) On 5 September 2014, the Board proposed, upon completion of the First Capital Reorganisation, to raise a net proceeds of approximately HK$312,000,000 by way of the rights issue of 450,132,472 rights shares at a subscription price of HK$0.70 per rights share on the basis of eight rights shares for every one adjusted share held on the record date (the "**First Rights Issue**").

Independent shareholders' approval for the First Rights Issue has been obtained at the special general meeting of the Company held on 20 October 2014 and the First Rights Issue has become unconditional on 14 November 2014. The dealings of fully paid rights shares has been commenced on 20 November 2014. Further details of the First Rights Issue are set out in the Company's prospectus dated 27 October 2014.

The net proceeds of the First Rights Issue of approximately HK$310 million has been fully utilized for the acquisition of No. 14 and 16 Inverness Road.

(iv) On 2 February 2015, the Board proposed, upon completion of the Second Capital Reorganisation, to raise a net proceeds of approximately HK$326,000,000 by way of the rights issue of 506,399,020 rights shares at a subscription price of HK$0.65 per rights share on the basis of twenty rights shares for every one adjusted share held on the record date (the "**Second Rights Issue**").

Independent shareholders' approval for the Second Rights Issue has been obtained at the special general meeting of the Company held on 24 March 2015 and the Second Rights Issue has become unconditional on 22 April 2015. The dealings of fully paid rights shares has been commenced on 27 April 2015. Further details of the Second Rights Issue are set out in the Company's prospectus dated 1 April 2015.

The net proceeds of the Second Rights Issue is approximately HK$326 million, of which approximately HK$260 million are intended to be used for the redevelopment of Inverness Road Project and the remaining balance of approximately HK$66 million for general corporate purposes. As at the date of this report, approximately HK$242,000 has been utilised in Inverness Road Project and HK$66,000,000 has been utilized as general corporate purposes.

As at 31 March 2015, the total number of issued ordinary shares of the Company was 25,319,951 shares (2014: 296,595,900 shares).

Details of 2014 Convertible Note

On 3 April 2014 and 29 August 2014, the conversion rights attaching to the convertible note (the "**2014 Convertible Note**") have been partially exercised for HK$20,000,000 and HK$60,000,000 respectively, and a total of 122,869,707 conversion shares were issued upon conversion.

Pursuant to the adjustment provisions in the terms and conditions of the 2014 Convertible Note, (i) adjustment has been made to the conversion price of the 2014 Convertible Note from HK$0.68 per share to HK$0.66 per share with effect from 18 June 2014 as a result of the completion of the placing of 65,200,000 placing shares on 18 June 2014; (ii) further adjustment has been made to the conversion price of the 2014 Convertible Note from HK$0.66 per share to HK$0.642 per share with effect from 22 August 2014 as a result of the completion of the placing of 78,000,000 placing shares on 22 August 2014; (iii) further adjustment has been made to the conversion price of the 2014 Convertible Note from HK$0.642 per share to HK$2.498 per share with effect from 25 October 2014 as a result of the First Capital Reorganisation and the First Rights Issue; and (iv) further adjustment has been made to the conversion price of the 2014 Convertible Note from HK$2.498 per share to HK$10.65 per share with effect from 31 March 2015 as a result of the Second Capital Reorganisation and the Second Rights Issue.

Particulars of the 2014 Convertible Note are summarized as follows:

Holder of the 2014 Convertible Note	:	Goodco Development Limited
Outstanding principal amount as at the date of this report	:	HK$20,000,000
Issue date	:	27 March 2014
Maturity date	:	27 March 2019
Conversion price as at the date of this report	:	HK$10.65 (subject to adjustment)

Goodco Development Limited was interested in 173,229,147 shares of the Company, representing approximately 32.58% of the issued share capital of the Company as at the date of this report. 1,877,934 shares shall be issued by the Company to Goodco Development Limited upon conversion of the 2014 Convertible Note in the aggregate principal amount of HK$20,000,000 in full at the prevailing conversion price of HK$10.65 per share.

Charge on Assets

As at 31 March 2015, the Group had bank loans amounting to HK$293,925,000 (2014: HK$161,902,000) which were secured by the investment properties and properties held for development for sale of the Group with an aggregate net book value of HK$713,027,000 (2014: HK$372,000,000).

Material Acquisitions and Disposals

On 5 September 2014, the Company and Easyknit Properties Holdings Limited, a wholly-owned subsidiary of Easyknit International Holdings Limited, entered into a sale and purchase agreement in relation to the sale and purchase of the sale share of Kingbest Capital Holdings Limited (as supplemented by an agreement entered into on 15 September 2014 by the Company and Easyknit Properties Holdings Limited, whereby the Company will indirectly acquire the site located at No. 14 and 16 Inverness Road, Kowloon Tong, Kowloon, Hong Kong and the sale loan at a consideration of HK$340 million). The independent shareholders' approval of the resolution relating to the acquisition has been obtained in the special general meeting of the Company held on 20 October 2014 and the acquisition has been completed on 21 November 2014. Upon the completion, Kingbest Capital Holdings Limited becomes a directly held wholly owned subsidiary of the Company.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2015.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in US dollars, Hong Kong 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 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 2015 (2014: nil).

Capital Expenditure and Capital Commitments

During the year under review, the Group spent approximately HK$183,000 (2014: HK$551,000) on the acquisition of property, plant and equipment, and spent approximately HK$291,619,000 (2014: HK$28,410,000) on addition of investment properties.

As at 31 March 2015, the Group had capital commitments in respect of capital expenditure contracted for but not provided of HK$764,000 (2014: HK$14,311,000).

Changes in Fair Value of Investment Properties

During the year under review, the loss on changes in fair value of investment properties was HK$8,155,000 (2014: loss of HK$660,000).

Finance Costs

Finance costs was HK$6,541,000, increased by HK$1,964,000 or 42.9% for the year from HK$4,577,000 in 2014.

Employees

As at 31 March 2015, the Group had 39 employees (2014: 38). Staff costs (including directors' emoluments) amounted to HK$15,982,000 for the year under review (2014: HK$15,107,000). 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 the 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 Reporting Period

(i) On 26 May 2015, Cherry Sky Investments Limited ("**Cherry Sky**"), as lender, a wholly owned subsidiary of the Company, entered into a facility letter with the borrower, pursuant to which Cherry Sky has conditionally agreed to lend an interest bearing loan upto HK$70,000,000 (the "**Loan**") to the borrower for a period of 12 months from the drawdown date. The Loan is secured by a share charge and personal guarantee. The Loan is used by the borrower exclusively for repayment of its certain indebtedness and the balance for lending to the guarantor.

(ii) On 12 June 2015, the Company completed the issue of a 2% coupon rate convertible note (the "**2015 Convertible Note**") in an aggregate principal amount of HK$86,000,000 with the maturity date on 12 June 2017 to an independent third party. The 2015 Convertible Note is convertible into ordinary shares of the Company at any time within a period of 2 years following the date of issue at the initial conversion price of HK$0.85 per conversion share (subject to adjustment). The net proceeds of approximately HK$85,900,000 raised from the issue of the 2015 Convertible Note is intended to be applied for general working capital of the Group.

Prospects

The US is showing signs of recovery. And the GDP growth target of China in 2015 is at a slower but intended higher quality growth, which is at 7%. But the changing expectation on possible rate hikes in the US as well as ongoing search for a consensus solution on sovereign debt crisis creating crisis of confidence results in uncertainties in the macro-economic environments. Nevertheless, the loose monetary policies adopted by China, Japan and Euro-zone can help stabilize the global economy.

Persistent property cooling measures continuously affects the local property market. Last year, home sales activities has heated up upon the further adjustments to the doubled stamp duty measures made by the government. But tightening measures on the mortgage requirements has been launched in February 2015 in order to curb the home prices. The market expects that there will be short term impacts on the small-to-medium end of the secondary residential property market while the new home sector will not be affected. The Group remains confident and optimistic towards the property market.

For the Matheson Street project, the Company shall consider to acquire the property located at the ground floor of No. 11 Matheson Street, Causeway Bay, Hong Kong by commencing the negotiations with the owner at the time when the Directors think fit. For the Inverness Road Project, the redevelopment works has commenced. It was expected that the site will be developed as residential properties in about 4 years.

The garment industry is still situated at a disadvantaged competitive position because of the rising prices of raw materials and the growing domestic labor costs. During the last year, the Group successfully raised its turnover with its major customers, but the cost of sales still remained at a relatively high level. The Group would use its best endeavours to strengthen its marketing strategies so as to maintain our competitive edge. The turnover from this business segment is expected to remain stable in 2015/16.

Looking forward to 2015/16, the Group shall emphasis on the property development business and to explore further quality investment opportunities to enhance its shareholders wealth.

For the year ended 31 March 2016

Business Review

During the year, the Group was principally engaged in the property investment, comprising the ownership and rental of investment properties, property development, garment sourcing and export businesses, securities investment and loan financing business.

Geographical Analysis of Turnover

During the year, the turnover from garment sourcing and export businesses was mainly derived from customers in the US. Rental income from the investment properties were derived from properties located in Hong Kong, Singapore and the PRC.

(i) Property Investment

Turnover from the property investment segment increased by 23.5% to HK$23,786,000 for the year ended 31 March 2016 (2015: HK$19,256,000). The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The additional investment properties are referred to the Company's acquisitions in November 2015 in which a total of 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore), 5 industrial units were acquired by the Company for a total consideration of HK$240 million.

The Group has 9 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 95,379 sq.m. in Huzhou, PRC.

(ii) Property Development

Project Matheson

The Company had filed an application to the Lands Tribunal in December 2015 for an order to sell all the undivided shares in a building located at Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong aimed at to acquire the last unit ("**Remaining Unit**") of the building for redevelopment purpose. It is in the mediation process between the Company and the owner of the Remaining Unit and the sale order may be granted in late 2016 but it depends on, amongst other things, the response time by the owner of Remaining Unit.

Project Inverness

The Project Inverness is a property development project located at No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. The general building plan and application for the land exchange were submitted to Buildings Department and Lands Department respectively in January 2016. The foundation work was commenced in January 2016 and is scheduled to be completed in September 2016; the launch of the sale is expected in year 2018.

(iii) Garment Sourcing and Export Businesses

For the year ended 31 March 2016, this segment recorded a turnover of HK$75,208,000 (2015: HK$172,082,000) representing 56.3% decrease comparing with year 2015, and recorded a loss of HK$8,067,000 (2015: loss of HK$3,660,000). This is mainly due to the decrease in sales volume with the major customers, the intensive competition in terms of pricing and transferring of customer orders.

(iv) Securities Investment

The Group has maintained a securities portfolio with a strategy of diversification to reduce effects of price fluctuation of any single securities.

For the year ended 31 March 2016, the Group held trading securities in the amount of HK$5,944,000 as compared to HK$91,557,000 as at 31 March 2015, representing a 93.5% decrease. It was derived from: (1) the disposal of trading securities during the year which had a cost or fair value as at 31 March 2015 of HK$99,532,000; and (2) purchase of trading securities of HK$20,251,000 during the year; and (3) net decrease in market value in the amount of HK$6,332,000 of the trading securities. This segment recorded a loss of HK$11,354,000 during the year (2015: profit of HK$43,853,000).

(v) Loan Financing

For the year ended 31 March 2016, this segment recorded a turnover of HK$4,445,000 (2015: HK$1,151,000) representing 286.2% increase comparing with the year 2015.

Financial Review

	Year ended 31 March		
	2016	**2015**	**Change**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	103,439	192,489	(89,050)
Gross profit	36,438	37,317	(879)
Gross profit margin	35.2%	19.4%	15.8%
Distribution and selling expenses	(1,762)	(4,582)	2,820
Administrative expenses	(30,429)	(31,181)	752
Finance costs	(15,099)	(6,541)	(8,558)
(Loss) profit before taxation	(61,238)	35,118	(96,356)
Taxation	(8,030)	(4,032)	(3,998)
(Loss) profit for the year and attributable to owners of the Company	(69,268)	31,086	(100,354)
Net (loss) profit margin	(67.0%)	16.1%	(83.1%)
(Loss) earnings per share			
Basic	(HK$0.14)	HK$100.04	(HK$100.18)

Revenue

Group revenue for the year ended 31 March 2016 reduced by 46.3% to HK$103,439,000 compared with last year. The decrease in revenue was largely caused by the decrease in sales volume in garment sourcing and export businesses, which offset the increase in the rental income of property investment segment.

Gross Profit/Margin

Gross profit for this year was HK$36,438,000, a slight decrease of HK$879,000 or 2.4% compared to the HK$37,317,000 in last year. Gross profit margin for this year increased from 19.4% to 35.2%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2016 was HK$61,238,000, as compared with last year profit before taxation of HK$35,118,000. It was mainly due to loss on changes in fair value of investment properties, impairment losses on properties held for development for sale and fair value loss on investment held for trading, bonds and equity linked notes.

Selling and distribution costs declined from HK$4,582,000 to HK$1,762,000, a decrease of 61.5% compared with the last year. It was mainly attributable to the reduction of turnover of garment sourcing and exporting businesses.

Administrative expenses were HK$30,429,000, a slight decrease of 2.4% over last year of HK$31,181,000.

During the year under review, there was an increase of 309.6% in the loss on changes in fair value of investment properties to HK$33,399,000 (2015: loss of HK$8,155,000).

Finance costs was HK$15,099,000, increased by HK$8,558,000 or 130.8% for the year from HK$6,541,000 in 2015, of which HK$8,290,000 is the effective interest expense on convertible notes.

(Loss) Profit Attributable to Shareholders and (Loss) earnings per Share

Loss attributable to shareholders of the Company for the year ended 31 March 2016 was HK$69,268,000, as compared to last year profit of HK$31,086,000. Net loss margin is increased from 67.0% as compared to net profit margin last year of 16.1%.

Taxation charges increased from HK$4,032,000 in last year to HK$8,030,000 in this year.

Basic loss per share for the year 31 March 2016 were HK$0.14 as compared to basic earnings per share HK$100.04 in last year.

Liquidity and Financial Resources

As at 31 March 2016, total assets of the Group amounted to HK$2,574,086,000 (2015: HK$1,919,181,000). In terms of financial resources as at 31 March 2016, the Group's total bank balances and cash was HK$465,279,000 (2015: HK$204,234,000), of which, approximately RMB50 million (equivalent to approximately HK$60 million) was tied up in the PRC as investment capital.

As at 31 March 2016, the capital base has been strengthened because of an aggregate net proceeds of HK$831,000,000 was raised from (1) the completion of issuing the rights shares in April 2015 and November 2015 for a total of HK$326 million and HK$505 million respectively; and (2) the completion of issuing a convertible note in June 2015 ("**2015 Convertible Note**") for a principal amount of HK$86 million.

As at 31 March 2016, the Group has total bank borrowings of HK$100,087,000 (2015: HK$293,925,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity was approximately 0.04 (2015: 0.19). As at 31 March 2016, the Group's current ratio was 9.1 (2015: 5.4).

The Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Capital Reorganisation

On 6 August 2015, the Company announced the Board proposed to effect the capital reorganisation (the "**Capital Reorganisation**") involving:

(a) share consolidation: that every ten issued and unissued then existing shares of HK$0.01 each be consolidated into one consolidated share of par value HK$0.10 each (the "**Consolidated Share**");

(b) capital reduction: that (i) the issued share capital of the Company be reduced by the cancellation of the paid-up capital of the Company to the extent of HK$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share be reduced from HK$0.10 to HK$0.01; (ii) the authorised share capital of the Company be reduced by reducing the par value of all Consolidated Shares in the authorised share capital of the Company from HK$0.10 each to HK$0.01 each, resulting in the reduction of the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 Consolidated Shares to HK$20,000,000 divided into 2,000,000,000 ordinary shares of par value HK$0.01 each (the "**Adjusted Shares**"); and (iii) the credit arising from the reduction of the issued share capital of the Company be transferred to the Company's contributed surplus account; and

(c) authorised capital increase: that the authorised share capital of the Company be increased from HK$20,000,000 divided into 2,000,000,000 Adjusted Shares to HK$200,000,000 divided into 20,000,000,000 Adjusted Shares.

Shareholders' approval for the Capital Reorganisation has been obtained at the special general meeting of the Company held on 7 October 2015 and the Capital Reorganisation became effective on 8 October 2015. Further details of the Capital Reorganisation are set out in the Company's circular dated 14 September 2015.

Fund Raising

(i) On 12 June 2015, the Company completed the issue of 2015 Convertible Note in an aggregate principal amount of HK$86,000,000 to Madian Star Limited, an independent third party. The net proceeds of HK$86,000,000 raised from the issue of the 2015 Convertible Note is intended to be applied for the general working capital of the Group.

For the net proceeds, it has been fully utilized for (1) HK$25.7 million for the acquisition of the ground floor of No. 15 Matheson Street, Causeway Bay, Hong Kong; (2) HK$55.9 million for the securities investment; and (3) HK$4.3 million for the settlement of trade payable.

(ii) On 6 August 2015, the Board proposed, upon completion of the Capital Reorganisation, to raise a gross proceeds of HK$510,000,000 by way of the rights issue of 1,063,437,940 rights shares at a subscription price of HK$0.48 per rights share on the basis of twenty rights shares for every one Adjusted Share held on the record date (the "**Rights Issue**").

Independent shareholders' approval for the Rights Issue has been obtained at the special general meeting of the Company held on 7 October 2015 and the dealings of fully paid rights shares was commenced on 9 November 2015. Further details of the Rights Issue are set out in the Company's prospectus dated 14 October 2015.

The net proceeds of the Rights Issue was approximately HK$505 million of which (1) HK$240 million were intended to purchase the sale shares and sale loan of a properties group; (2) HK$139 million for the repayment of bank loan; (3) HK$30 million to be earmarked as deposit for the acquisition of the remaining unit at ground floor of No. 11 Matheson Street, Causeway Bay, Hong Kong or for potential investment; (4) HK$70 million to be applied for the segments of securities investment and loan financing; and (5) the remaining HK$26 million as general corporate purposes.

As at the date of this report, all the net proceeds raised from the Rights Issue have been fully utilised except the amount of HK$30 million earmarked for the acquisition of the remaining unit in Matheson Street has not been utilised. The actual use of the net proceeds is utilized according to the intended use, of which (1) HK$240 million for the purchase of the sale shares and the sale loan of a properties group; (2) HK$139 million for the repayment of bank loan; (3) HK$24.5 million for the securities investment; HK$45.5 million for loan financing business; (4) HK$10.3 million for settlement of trade payable; HK$2 million for daily operating expenses and HK$13.7 million for repayment of bank loans and finance cost.

As at 31 March 2016, the total number of issued ordinary shares of the Company was 1,116,609,837 shares (31 March 2015: 25,319,951 shares).

Details of 2014 Convertible Note

Particulars of the 2014 Convertible Note are summarized as follows:

Holder of the Convertible Note	:	Goodco Development Limited
Outstanding principal amount as at the date of this report	:	HK$20,000,000
Issue date	:	27 March 2014
Maturity date	:	27 March 2019

Conversion price as at the date of this report	:	HK$22.72 (subject to adjustment)

Goodco Development Limited is interested in 363,781,194 shares of the Company, representing approximately 32.58% of the issued share capital of the Company as at the date of this report. 880,281 shares shall be issued by the Company to Goodco Development Limited upon conversion of the 2014 Convertible Note in the aggregate principal amount of HK$20,000,000 in full at the prevailing conversion price of HK$22.72 per share.

Details of 2015 Convertible Note

On 12 June 2015, the Company completed the issue of 2015 Convertible Note in an aggregate principal amount of HK$86,000,000 to Madian Star Limited, an independent third party, at an initial conversion price of HK$0.85 per share.

Pursuant to the adjustment provisions in the terms and conditions of the 2015 Convertible Note, (i) adjustment has been made to the conversion price of the 2015 Convertible Note from HK$0.85 per share to HK$1.81 per share with effect from 14 October 2015 as a result of the Capital Reorganisation and the Rights Issue; (ii) further adjustment was made to the conversion price of the 2015 Convertible Note from HK$1.81 per share to HK$0.33 per share with effect from 7 January 2016 as a result of the entering into the deed of amendment to revise the conversion price and the same was approved by Shareholders on 7 January 2016.

Particulars of the 2015 Convertible Note are summarized as follows:

Holder of the Convertible Note	:	Madian Star Limited
Outstanding principal amount as at the date of this report	:	HK$86,000,000
Issue date	:	12 June 2015
Maturity date	:	12 June 2017
Conversion price as at the date of this report	:	HK$0.33 (subject to adjustment)

Charge on Assets

As at 31 March 2016, the Group had bank loans amounting to HK$100,087,000 (2015: HK$293,925,000) which were secured by the investment properties of the Group with an aggregate net book value of HK$208,196,000 (2015: HK$713,027,000).

Material Acquisitions and Disposals

On 6 August 2015, the Company entered into 4 sets of sale and purchase agreements in relation to the purchase of the sale shares and sale loans of the properties group for a total consideration of HK$240 million from a connected party. The properties group has 11 properties comprises 6 residential units (3 units in Hong Kong and 3 units in Singapore) and 5 industrial units. These transactions were approved by independent Shareholders on 7 October 2015 and the completion date of these transactions was 11 November 2015.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2016.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in US 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 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 2016 (2015: nil).

Capital Expenditure and Capital Commitments

Capital Expenditure

For the year ended 31 March 2016, the Group invested HK$90,000 (2015: HK$183,000) in the purchase of property, plant and equipment, and spent HK$214,936,000 (2015: HK$291,619,000) 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 31 March 2016, the Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK$5,241,000 (2015: HK$764,000).

Employees

As at 31 March 2016, the Group had 40 employees (2015: 39). Staff costs (including directors' emoluments) amounted to HK$16,501,000 for the year under review (2015: HK$15,982,000). 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 the 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

Skill Master Investment Limited as purchaser, a wholly-owned subsidiary of the Company, and an independent third party as vendor, entered into a sale and purchase agreement and a supplemental agreement on 13 June 2016 and 20 June 2016 respectively. Pursuant to the agreements, the purchaser has conditionally agreed to acquire and the seller has conditionally agreed to sell the entire issued share capital and shareholder's loan of Treasure Arts International Group Limited ("**TAI**") at an aggregate consideration of HK$51,981,900. Details of this transaction is published on the Company's announcement dated 13 June 2016. The completion of this transaction is subject to Shareholders' approval at the special general meeting of the Company which is to be held in August 2016; and upon completion TAI will become a subsidiary of the Company. TAI has entered into 20 provisional sale and purchase agreements with the property owners of 20 units of Fung Wah Factorial Building, Nos. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong in early June 2016.

Prospects

The China economy had been grown at a slower rate than the government target of 7% in 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past months, the financial uncertainties about the pace of increase in interest rates in the United States and the instabilities in the European economy, which are expected to cloud the global economic outlook. As Hong Kong's economic performance hinges on global economic and financial conditions, these uncertain factors may affect property market sentiment in the months ahead. However, we expect the market to remain buoyant with more projects coming onto the market at competitive pricing levels and strong end user demand driving sales.

The Group will continue to closely monitor market changes, continue to adhere to its principle of steady development and endeavor to improve the development of the Project Inverness so as to increase the asset turnover rate. Meanwhile, the Group strives to improve the debt structure, adjust the project's management system in respect of management models and construction cost in order to enhance the profitability of the Group.

The turnover of the garment and sourcing export businesses continues decreasing due to the transferring of customer orders, shrinking profit margins and declining sales, the Board is now further evaluating this business segment and shall take appropriate action.

For the Project Matheson, it is now in the mediation process with the owner of the remaining unit in the Land (Compulsory Sale for Redevelopment) Ordinance; and the sale order may be granted by the court in about September 2016. For the Project Inverness, the foundation works has commenced and to be completed in September 2016; and it is expected to be launched in the year 2018.

For the securities investment business, the Company reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to the Company. The Company shall make suitable investment decisions which broadens and diversifies its investment portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks.

Looking forward to 2016/2017, the Group shall emphasize the business segments of property development and securities investment; and to explore further quality investment opportunities to enhance its shareholders wealth.

For the year ended 31 March 2017

Business Review

During the year, the Group was principally engaged in the property investment, comprising the ownership and rental of investment properties, property development, investment in securities and loan financing business.

Geographical Analysis of Turnover

During the year, rental income from the investment properties were derived from properties located in Hong Kong, Singapore and the PRC.

(i) Property Investment

Revenue from the property investment segment increased by 23.5% to HK$29,384,000 for the year ended 31 March 2017 (2016: HK$23,786,000). The increase in turnover is primarily attributed to the addition of the investment properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The Group has 9 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 94,351 sq.m. in Huzhou, PRC.

(ii) Property Development

Project Matheson

The Company had filed an application to the Lands Tribunal in December 2015 for an order to sell all the undivided shares in a building located at Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong aimed at to acquire the last unit ("**Remaining Unit**") of the building for redevelopment purpose. A court order was received in January 2017 relating to the trial of Project Matheson for 8 days in early July 2017.

Project Inverness

The Project Inverness is a residential property development project located at No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. The construction of the superstructure is in progress and is expected to launch of the sale in year 2018.

(iii) Securities Investment

The Group has maintained a securities portfolio with a strategy of diversification to reduce effects of price fluctuation of any securities.

For the year ended 31 March 2017, the Group held trading securities in the amount of HK$4,505,000 as compared to HK$5,944,000 as at 31 March 2016, representing a 24.2% decrease. It was derived from (1) purchase of trading securities of HK$935,000 during the year; and (2) net decrease in market value in the amount of HK$2,374,000 of the trading securities. This segment recorded a loss of HK$14,705,000 during the year (2016: loss of HK$11,354,000).

(iv) Loan Financing

For the year ended 31 March 2017, this segment recorded a revenue of HK$6,939,000 (2016: HK$4,445,000) representing 56.1% increase comparing with the year 2016.

Financial Review

	Year ended 31 March		
	2017	**2016**	**Change**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	36,518	103,439	(66,921)
Gross profit	36,347	36,438	(91)
Gross profit margin	99.5%	35.2%	64.3%
Distribution and selling expenses	(13)	(1,762)	1,749
Administrative expenses	(32,911)	(30,429)	(2,482)
Finance costs	(19,213)	(15,099)	(4,114)
Loss before taxation	(29,592)	(61,238)	31,646
Taxation	2,965	(8,030)	10,995
Loss for the year and attributable to owners of the Company	(26,627)	(69,268)	42,641
Net loss margin	(72.9%)	(67.0%)	(5.9%)
Basic and diluted loss per share	(HK$0.02)	(HK$0.14)	HK$0.12

Revenue

Group revenue for the year ended 31 March 2017 reduced by 64.7% to HK$36,518,000 compared with last year. The decrease in revenue was largely caused by the gradually cessation of garment sourcing and export business segment.

Gross Profit/Margin

Gross profit for this year was HK$36,347,000, a slight decrease of HK$91,000 or 0.2% compared to the HK$36,438,000 in last year. Gross profit margin for this year increased from 35.2% to 99.5%.

Loss before Taxation

Loss before taxation for the year ended 31 March 2017 was HK$29,592,000, as compared with last year loss before taxation of HK$61,238,000.

Distribution and selling expenses declined from HK$1,762,000 to HK$13,000, a decrease of 99.3% compared with the last year. It was mainly attributable to the reduction of revenue of garment sourcing and export business segment.

Administrative expenses were HK$32,911,000, a slight increase of 8.2% over last year of HK$30,429,000.

During the year under review, there was a decrease of 61.7% in the loss on changes in fair value of investment properties amounting to HK$12,792,000 (2016: loss of HK$33,399,000).

Finance costs was HK$19,213,000, increased by HK$4,114,000 or 27.2% for the year from HK$15,099,000 in 2016, of which HK$11,050,000 (2016: HK$8,290,000) is the effective interest expense on convertible notes.

Loss Attributable to Shareholders and Loss per Share

Loss attributable to shareholders of the Company for the year ended 31 March 2017 was HK$26,627,000, as compared to last year loss of HK$69,268,000. Net loss margin is increased to 72.9% as compared to net loss margin last year of 67.0%.

For this year, the taxation credit was HK$2,965,000 whilst last year was taxation charges for HK$8,030,000.

Basic and diluted loss per share for the year 31 March 2017 were HK$0.02 as compared to basic and diluted loss per share HK$0.14 in last year.

Liquidity and Financial Resources

As at 31 March 2017, total assets of the Group amounted to HK$3,407,650,000 (2016: HK$2,574,086,000). In terms of financial resources as at 31 March 2017, the Group's total bank balances and cash was HK$513,490,000 (including bank deposits with original maturity of more than three months).

As at 31 March 2017, the capital base has been strengthened because an aggregate net proceeds of HK$145.2 million was raised from the placing of new shares and issuing of a convertible note during the year.

As at 31 March 2017, the Group has total bank borrowings of HK$779,700,000 (2016: HK$100,087,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.32 (2016: 0.04). As at 31 March 2017, the Group's current ratio was 3.4 (2016: 9.1).

The Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Fund Raising

During the year ended 31 March 2017, the following corporate actions had taken with the aim to strengthen the Group's financial position and prospects, hence, enhance the shareholders' value:

(i) On 1 March 2017, the Company entered into a subscription agreement with Goodco Development Limited as subscriber, a substantial shareholder of the Company, to subscribe the 2017 convertible note ("**2017CB**") issued by the

Company for a principal amount of HK$16 million. The 2017CB is a 3% per annum coupon interest for 5 years with the conversion price of HK$0.16 per share. The transaction was approved by the independent shareholders of the Company on 26 April 2017 and the 2017CB certificate was issued on 11 May 2017. The net proceeds is approximately HK$15.5 million which is intended to be applied for general working capital of the Group. As at the date of this report, all the net proceeds have not been utilised yet.

(ii) On 3 January 2017, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to allot and issue under the specific mandate, and the placing agent has agreed to place 350,000,000 placing shares to independent investors at a placing price of HK$0.16 per share under a specific mandate and it was approved by the independent shareholders of the Company on 13 February 2017. The placing was completed on 27 February 2017 and the entire 350,000,000 placing shares have been successfully placed. The net proceeds is approximately HK$55,440,000 is intended to be applied for the acquisition of the remaining units of the Fung Wah Factorial Building. As at the date of this report, all the net proceeds have not been utilised yet.

(iii) On 13 October 2016, the Company entered into an underwriting agreement with an underwriter and proposed to raise not less than HK$435.6 million and not more than HK$598.3 million by way of the rights issue by issuing not less than 4,685,496,177 rights shares and not more than 5,808,955,200 rights shares at a subscription price of HK$0.103 per rights share on the basis of 3 rights shares for every one share held on the record date. However, the resolution was not passed by the independent shareholders on 15 December 2016 and the proposed rights issue was lapsed.

(iv) On 8 September 2016, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to allot and issue under the general mandate, and the placing agent has agreed to place 223,000,000 placing shares to independent investors at a placing price of HK$0.18 per share. The placing was completed on 22 September 2016 and the entire 223,000,000 placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK$39.7 million and intended to be applied towards appropriate acquisition and investment opportunities of the Group and the considerations thereof and general working capital of the Group. As at the date of this report, all the net proceeds have been fully utilised according to the intended use of which (i) HK$1.0 million for loan financing business; (ii) HK$1.5 million for payment of operating expenses; and (iii) HK$7.0 million for the acquisition of subsidiary; and the balance of HK$30.2 million for the acquisition of property units of Fung Wah Factorial Building.

(v) On 13 July 2016, the Company entered into a subscription agreement with Able Merchant Limited as subscriber, an independent third party, to subscribe the 2016 convertible note ("**2016CB**") issued by the Company for a principal amount of HK$50 million. The 2016CB is a 2% per annum coupon interest for 3 years with the conversion price of HK$0.225. The issuance was completed on 27 July 2016. The net proceeds is approximately HK$50 million which is in tended to be applied towards appropriate acquisition and investment opportunities of the Group and the considerations thereof and general working capital of the Group. As at the date of this report, the net proceeds have been fully utilised according to the intended use of which (i) HK$3.4 million for payment of operating expenses; (ii) HK$10.0 million for loan financing business; and (iii) HK$36.6 million for the acquisition of property units of Fung Wah Factorial Building.

New Shares Issued

As at 31 March 2017, the total number of issued ordinary shares of the Company was 1,911,832,059 shares (31 March 2016: 1,116,609,837 shares). A total of 795,222,222 new shares were issued during the year.

(i) On 22 September 2016, 223,000,000 new shares were issued at the price of HK$0.18 per share pursuant to the placing agreement entered into with the placing agent on 8 September 2016. Details of the placing agreement are set out in the Company's announcement dated 8 September 2016.

(ii) On 27 February 2017, 350,000,000 new shares were issued at the price of HK$0.16 per share pursuant to the placing agreement entered into with the placing agent on 3 January 2017. Details of the placing agreement are set out in the Company's announcement dated 3 January 2017.

(iii) During the year, 222,222,222 new shares were issued pursuant to the exercise of conversion rights of 2016CB.

Details of 2016CB and 2017CB

Details of 2016CB

Particulars of the 2016CB are summarized as follows:

Holder of the 2016CB	:	Able Merchant Limited
Principal amount	:	HK$50,000,000
Issue date	:	27 July 2016
Maturity date	:	26 July 2019
Conversion price	:	HK$0.225 (subject to adjustments)

All the conversion rights attached to 2016CB have been fully exercised by 7 November 2016.

Details of 2017CB

On 1 March 2017, the Company entered into a subscription agreement with Goodco Development Limited, a substantial shareholder of the Company, to subscribe the 2017CB issued by the Company for a principal amount of HK$16 million. The 2017CB is a 3% per annum coupon interest for 5 years with the conversion price of HK$0.16 per share. The transaction was approved by the independent shareholders of the Company on 26 April 2017 and the convertible note certificate was issued on 11 May 2017.

Particulars of the 2017CB summarized as follows:

Holder of the 2017CB	:	Goodco Development Limited
Principal amount	:	HK$16,000,000
Issue date	:	11 May 2017
Maturity date	:	11 May 2022
Conversion price	:	HK$0.16 (subject to adjustments)

As at the date of this report, no exercise of the conversion rights was made since the issue date.

Charge on Assets

As at 31 March 2017, the Group had bank loans amounting to HK$779,700,000 (2016: HK$100,087,000) which were secured by the Group's investment properties and properties held for development for sale with an aggregate net book value of HK$785,873,000 and HK$597,868,000 respectively (2016: HK$208,196,000 and nil).

Material Acquisitions and Disposals

1st Acquisition of FW Building

On 13 June 2016 and 20 June 2016, Skill Master Investments Limited ("**Skill Master**"), a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement and a supplemental agreement with an independent third party to acquire an investment holding company known as Treasure Arts International Limited for a consideration of HK$51,981,900. Its sole assets are having 20 property purchase agreements with the owners of 20 units of Fung Wah Factorial Building of Nos. 646, 648 and 648A Castle Peak Road, Kowloon, Hong Kong ("**FW Building**"). The acquisition shall pave way for the Group to acquire the remaining 14 property units and then to redevelop the site of the FW Building. Details of the acquisition are set out in the Company's announcement dated 13 June 2016 and 13 July 2016. The transaction was approved by shareholders of the Company on 1 August 2016.

2nd Acquisition of FW Building

On 3 August 2016, Skill Master as purchaser entered into a sale and purchase agreement with an independent third party to acquire an investment holding company known as Daily Leader Limited for a consideration of HK$64,525,000. It sole assets are having 5 property purchase agreements with the owners of 5 units of FW Building. The acquisition shall pave way for the Group to acquire the remaining 9 property units and then to redevelop the site of the FW Building. Details of the acquisition are set out in the Company's announcement dated 3 August 2016. The transaction was approved by the shareholders of the Company on 7 October 2016.

Acquisition of WK Building

On 28 March 2017, Wealth Plan Development Limited, an indirect wholly-owned subsidiary of the Company, as purchaser entered into 17 property purchase agreement with the owners of 18 units and the car parking areas of Wing Cheong Industrial Building ("**WK Building**") of No. 121 King Lam Street, Kowloon. Hong Kong for a consideration of HK$226,053,000. The acquisition shall pave way for the Group to acquire the remaining 6 property units and then to redevelop the site of WK Building. Details of the acquisition are set out in the Company's announcement dated 29 March 2017. A special general meeting of the Company was held on 5 June 2017 and such acquisition was approved by shareholders of the Company.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies for the year ended 31 March 2017.

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 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 2017 (2016: nil).

Capital Expenditure and Capital Commitments

Capital Expenditure

For the year ended 31 March 2017, the Group invested HK$3,558,000 (2016: HK$90,000) in the purchase of property, plant and equipment, and spent HK$14,779,000 (2016: HK$214,936,000) 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 31 March 2017, the Group had capital commitments in respect of capital expenditure contracted for but not provided in respect of investment properties of HK$9,842,000 (2016: HK$5,241,000).

Employees

As at 31 March 2017, the Group had 42 employees (2016: 40). Staff costs (including directors' emoluments) amounted to HK$15,264,000 for the year under review (2016: HK$16,501,000). 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 the 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 in the development of its exiting principal businesses: (1) property investment; (2) property development; (3) securities investment; (4) loan financing business and other potential projects with a view to providing steady returns for its shareholders and bring fruitful growth to the Group.

In Hong Kong, despite additional measures imposed by the government to cool the housing market, the impact on the property market was only short-lived. With the prevailing low interest rates and the record of high transacted land prices in the recent land auctions, sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong.

In addition, the Group will further extend its principal business and direct its resources to loan financing services and it is expected that such business will continue to be part of the main income stream of the Group. Meanwhile, we will also maintain a stringent financial policy and a prudent cash flow management to ensure reasonable liquidity for the Group's operations as well as for its existing and future investments.

We believe that, in such a volatile economic environment, these operation strategies will enable the Group to maintain its competitiveness and mitigate risks, thereby ensuring the Group sustainable growth.

For the six months ended 30 September 2017

Business Review

During the Period, the Group was principally engaged in the property investment, comprising the ownership and rental of investment properties, property development, investment in securities and loan financing business.

Geographical Analysis of Turnover

During the Period, rental income from the investment properties was derived from the properties located in Hong Kong, Singapore and the PRC.

(i) Property Investment

Revenue from the property investment segment increased by 9.8% to HK$16,154,000 for the Period as compared with the 2016 Period of HK$14,708,000; of which HK$8,160,000, HK$6,662,000 and HK$1,332,000 were generated from the properties in Hong Kong, PRC and Singapore respectively. The increase in revenue primarily is attributed to the addition of the properties, the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants.

The Group has 11 blocks of factory premises and 4 blocks of dormitories with a total gross floor areas of approximately 106,638 sq.m. in Huzhou, PRC.

(ii) Property Development

Project Inverness

The Project Inverness is a residential property development project located at No. 14, 16, 18 and 20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong. The construction of the superstructure is in progress and is expected to launch of the sale in year 2018.

Project Matheson

Since mid-2015, the Group is the owner of the 12 units out of 14 units of a non-industrial building at Nos. 11 and 13 Matheson Street, Causeway Bay, Hong Kong ("**Matheson Building**") and applied for an order to sell all the undivided shares of the Matheson Building in 2015 with an aim to acquire the 2 remaining units ("**Remaining Units**") for redevelopment purpose. On 31 July 2017, the Lands Tribunal issued an order for sale by way of auction and set the reserve price for the sale of the entire Matheson Building at HK$441,000,000. The auction was held on 29 September 2017 and the Group won the bid. Since the value of the Remaining Units represents 42% of the bidding price and the final bidding price was HK$441,000,000, therefore the consideration for the acquisition of the Remaining Units by the Group is HK$185,220,000 (ie. 42% of the final bidding price). The transaction was approved by the shareholders of the Company on 27 September 2017 and the completion was taken place on 30 October 2017. Details of the transaction are set out in the Company's circular dated 12 September 2017.

(iii) Securities Investment

The Group is to maintain a securities portfolio with a strategy of diversification to reduce effects of price fluctuation of any single securities.

As at 30 September 2017, the Group held trading securities in the amount of HK$4,397,000 as compared to HK$4,505,000 as at 31 March 2017, representing a 2.4% decrease. It was derived from (1) the purchase of trading securities of HK$2,498,000 during the Period; (2) the disposal of trading securities during the Period which had a cost or fair value as at 30 September 2017 of HK$1,377,000 and (3) net decrease in market value in the amount of HK$1,229,000 of the trading securities. This segment recorded a loss of HK$1,828,000 in the Period (2016 Period: loss of HK$9,641,000).

An analysis of the fair value measurements of the financial instruments as at 30 September 2017 is a follows:

	As at 30 September 2017 (Unaudited) *HK$'000*	**As at 31 March 2017 (Audited)** *HK$'000*
Available-for-sale investments	174,210	158,541
Investments held for trading	4,397	4,505

(iv) Loan Financing

For the Period, this segment recorded a revenue of HK$8,718,000 (2016 Period: HK$1,676,000) representing 420.2% increase comparing with the 2016 Period.

Financial Review

Liquidity and Financial Resources

As at 30 September 2017, total assets of the Group amounted to HK$3,573,689,000 (31 March 2017: HK$3,407,650,000). In terms of financial resources as at 30 September 2017, the Group's total bank balances and cash was HK$343,822,000 (31 March 2017: HK$513,490,000).

Our capital base for the Period has been strengthened as the Company raised proceeds net of expenses of approximately HK$69.9 million in the placing of shares (as to approximately HK$25.7 million) in July 2017; and issued 2 convertible notes for a total net amount of approximately HK$43.3 million in May 2017 and September 2017 respectively.

As at 30 September 2017, the Group has total bank borrowings of HK$808,868,000 (31 March 2017: HK$779,700,000). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity was approximately 0.32 (31 March 2017: 0.32). As at 30 September 2017, the Group's current ratio was 3.5 (31 March 2017: 3.4).

The Group financed its operation primarily with recurring cash flow generated from its operation, proceeds raised from the capital market and bank financing.

Fund Raising

(i) On 1 March 2017, the Company entered into a subscription agreement with Goodco Development Limited as subscriber, a substantial shareholder of the Company, to subscribe the 2017 convertible note ("**2017CN1**") issued by the Company for a principal amount of HK$16 million. The 2017CN1 is a 3% per annum coupon interest for 5 years with the conversion price of HK$0.16 per share. The transaction was approved by the independent shareholders of the Company on 26 April 2017 and the certificate was issued on 11 May 2017. The net proceeds is approximately HK$15.5 million which is intended to be applied for general working capital of the Group. As at the date of this report, all the net proceeds have been fully utilised according to the intended use: (1) HK9.2 million for the repayment of bank loan and bank interests; and (2) HK$6.3 million for the payment of general operating expenses.

(ii) On 3 July 2017, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to allot and issue under a general mandate, and the placing agent has agreed to place 325,000,000 placing shares to independent investors at a placing price of HK$0.08 per share under a general mandate and the placing shares was granted to the Directors by a resolution of the independent shareholders passed at the special meeting of the Company on 26 April 2017. The placing was completed on 19 July 2017 and the entire 325,000,000 placing shares have been successfully placed. The net proceeds of approximately HK$25,740,000 is intended to be applied for the acquisition of the Remaining Units of Matheson Building, As at the date of this report, all the net proceeds have been fully utilised according to the intended use.

(iii) On 7 August 2017, the Company entered into a subscription agreement with Goodco Development Limited as subscriber, a substantial shareholder of the Company, to subscribe a convertible note ("**2017CN2**") issued by the Company for a principal amount of HK$28.2 million. The 2017CN2 is a 3% per annum coupon interest for 3 years with the conversion price of HK$0.06 per share. The transaction was approved by the independent shareholders of the Company on 18

September 2017 and the certificate was issued on 26 September 2017. The net proceeds is approximately HK$27.8 million which is intended to be applied for the acquisition of the Remaining Units of Matheson Building. As at the date of this report, the proceeds are fully applied for the acquisition of the Remaining Units of the Matheson Building. In addition, on 18 October 2017, Goodco Development Limited exercised partial of the conversion rights attached to the 2017CN2 for the amount of HK$16,920,000 and 282,000,000 conversion shares of the Company were issued and allotted on 18 October 2017.

As at 30 September 2017, the total number of issued ordinary shares of the Company was 2,236,832,059 shares (31 March 2017: 1,911,832,059 shares).

Details of Convertible Notes

*2015 Convertible Note ("**2015CN**")*

Pursuant to the alterations of the 2015CN terms as contemplated under the Second Deed of Amendment dated 1 March 2017 and the shareholders' approval on 26 April 2017, the exercise period and the conversion price of 2015CN was revised to 7 years and HK$0.16 per conversion shares respectively; and the interest rate was revised to 3% per annum and be payable semi-yearly in arrears.

Particulars of the 2015CN are summarized as follows:

Holder of the 2015CN	:	Madian Star Limited
Principal amount	:	HK$86,000,000
Issue date	:	12 June 2015
Maturity date	:	12 June 2022
Conversion price	:	HK$0.16 (subject to adjustment)

2017CN1

Particulars of the 2017CN1 are summarized as follows:

Holder of the 2017CN1	:	Goodco Development Limited
Principal amount	:	HK$16,000,000
Issue date	:	11 May 2017
Maturity date	:	11 May 2022
Conversion price	:	HK$0.16 (subject to adjustment)

As at the date of this report, no exercise of the conversion rights was made since the issue date.

2017CN2

Particulars of the 2017CN2 are summarized as follows:

Holder of the 2017CN2	:	Goodco Development Limited
Principal amount	:	HK$28,200,000
Issue date	:	26 September 2017
Maturity date	:	26 September 2020
Conversion price	:	HK$0.06 (subject to adjustments)

On 18 October 2017, Goodco Development Limited exercised partial of the conversion rights attached to the 2017CN2 for the amount of HK$16,920,000 and 282,000,000 conversion shares of the Company were issued and allotted on 18 October 2017.

Charge on Assets

As at 30 September 2017, the Group has bank loans amounting to HK$808,868,000 (31 March 2017: HK$779,700,000) which were secured by the Group's investment properties and properties held for development for sale with an aggregate net book value of HK$1,480,658,000 (31 March 2017: HK$1,383,741,000).

Material Acquisitions and Disposals

Acquisition of FW Building

Since 26 September 2017, the Group owned 26 units (including a AP common part) out of 32 units of a building known as Fung Wah Factorial Building which is situated at Nos. 646, 648 and 648A Castle Peak Road, Kowloon, Hong Kong ("**FW Building**"). Such 26 units shares 96/120th undivided shares of the FW Building which represents 80% of the undivided shares of the FW Building (as contemplated by section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance, Cap 545, Law of Hong Kong).

On 14 August and 15 August 2017, Treasure Arts International Group Limited ("**Treasure Arts**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into an agreement for sale and purchase and a provisional agreement with the respective sellers who are independent third party respectively, pursuant to which amongst other things, Treasure Arts conditionally agreed to acquire, and the sellers agreed to sell the 2 units of the FW Building at a total consideration of HK$81,300,000. This transaction was approved by the shareholders of the Company on

23 October 2017 and the completion of the acquisition was taken place in mid-November 2017. This acquisition shall pave way for the Group to acquire the remaining units of the FW Building and then to redevelop the site of the FW Building to a composite commercial building. Details of the acquisition are set out in the Company's circular dated 29 September 2017.

Acquisition of WK Building

On 28 March 2017, Wealth Plan Development Limited, an indirect wholly-owned subsidiary of the Company, as purchaser entered into 17 property purchase agreements with the owners of 18 units and the car parking areas of Wing Cheong Industrial Building ("**WK Building**") of No. 121 King Lam Street, Kowloon, Hong Kong for a consideration of HK$226,053,000. The acquisition shall pave way for the Group to acquire the remaining 6 property units and then to redevelop the site of WK Building. This transaction was approved by the shareholders of the Company on 5 June 2017 and the completion of the acquisition was taken place in June 2017. Details of the acquisition are set out in the Company's circular dated 12 May 2017.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the Period.

Exposure on Foreign Exchange Fluctuations

Most of the Group's revenues and payments are in Hong Kong dollars, Singapore dollars and Renminbi. During the Period, the Group had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors consider the risk of exposure to currency fluctuation to be minimal.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2017 (31 March 2017: nil).

Capital Expenditures and Capital Commitments

During the Period, the Group invested HK$1,120,000 (2016 Period: nil) in the purchase of property, plant and equipment, and spent HK$10,519,000 (2016 Period: HK$8,525,000) on addition of investment properties. These capital expenditures were financed from internal resources and funds from previous fund raising activities of the Company.

As at 30 September 2017, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK$23,779,000 (31 March 2017: HK$9,842,000).

Changes in Fair Value of Investment Properties

During the Period, there was a gain of HK$2,013,000 on changes in fair value of investment properties (2016 Period: loss of HK$22,793,000).

Finance Costs

Finance costs was HK$16,258,000, increased by HK$8,205,000 or 101.9% for the Period from HK$8,053,000 in the 2016 Period, of which HK$9,567,000 (2016 Period: HK$5,981,000) was the effective interest expense on convertible notes.

Employees

As at 30 September 2017, the Group had a total of 36 employees (2016: 26 employees). 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 the employees in Hong Kong. The Group has a share option scheme to motivate employees.

Prospects

Despite additional measures imposed by Hong Kong government to cool the housing market, the impact on the property market was only short-lived. With the prevailing low interest rates and the record of high transacted land prices in the recent land auctions, sentiment in the primary property market has been holding up well, with home buyers' confidence remaining generally strong. Therefore, the Group shall continue to look for potential investment properties for recurring income and capital appreciation.

In addition, the Group will further extend its principal business and direct its resources to loan financing services and it is expected that such business will continue to be part of the main income stream of the Group.

Looking ahead, the Group's core income for the second half of 2017 will be mainly generated from its property investment and the Group expects its property investment portfolios in Hong Kong, PRC and Singapore will continue to generate stable income in the second half of 2017.

COSMOS CPA LIMITED
華恩會計師事務所有限公司

Suite F, 14th Floor, Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

15 March 2018

The Board of Directors
Eminence Enterprise Limited

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

Dear Sirs,

Introduction

We report on the historical financial information of Empire Sail Limited (the "**Target Company**" or "**Company Holding Properties**") and its subsidiary of Best Legend International Holdings Limited (together, the "**Target Group**") set out on pages II-4 to II-25, which comprises the consolidated statements of financial position as at 31 December 2016 and 31 December 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 22 May 2015 (date of incorporation) to 31 December 2016 and year ended 31 December 2017 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-25 forms an integral part of this report, which has been prepared for inclusion in the circular of Eminence Enterprise Limited (the "**Company**") dated 15 March 2018 (the "**Circular**") in connection with the Company's Very Substantial Acquisition Concerning Acquisition of a Company Holding Properties.

Directors' Responsibility for the Historical Financial Information

The directors are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note II to the Historical Financial Information, and for such internal control as the directors determine is 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 Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note II 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 the Target Company's and the Target Group's financial position as at 31 December 2016 and 31 December 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note II to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Historical Financial Statements as defined on page II-9 as were considered necessary.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,
Cosmos CPA Limited
Certified Public Accountants
NG Lai Man Carmen
Practising Certificate Number P03518

Hong Kong
15 March 2018

I. HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2017** *HK$*	**Period from 22 May 2015 (date of incorporation) to 31 December 2016** *HK$*
REVENUE	*7*	120,000	160,000
Other income – Sundry income		–	9,700
General and administrative expenses		(12,147,907)	(10,847,879)
LOSS BEFORE TAX	*8*	(12,027,907)	(10,678,179)
Income tax expenses	*10*	–	(800,146)
NET LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD		(12,027,907)	(11,478,325)
BASIC LOSS PER SHARE	*11*	(120,279)	(114,783)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2017 HK$	31 December 2016 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	13	197,937,336	212,544,893
Total non-current assets		197,937,336	212,544,893
CURRENT ASSETS			
Amount due from ultimate holding company	14	284,675	193,575
Deposits paid		164,475	164,475
Total current assets		449,150	358,050
CURRENT LIABILITIES			
Amount due to a fellow subsidiary	15	(221,052,797)	(223,543,952)
Other payables and accruals		(39,000)	(36,395)
Tax payable		(800,146)	(800,146)
Total current liabilities		(221,891,943)	(224,380,493)
NET CURRENT LIABILITIES		(221,442,793)	(224,022,443)
Net liabilities		(23,505,457)	(11,477,550)
DEFICIENCY IN ASSETS			
Share capital	16	775	775
Accumulated losses		(23,506,232)	(11,478,325)
Total deficiency in assets		(23,505,457)	(11,477,550)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$	*HK$*	*HK$*
Issue of shares upon incorporation	775	–	775
Net loss and total comprehensive expense for the period from 22 May 2015 (date of incorporation) to 31 December 2016	–	(11,478,325)	(11,478,325)
At 31 December 2016 and 1 January 2017	775	(11,478,325)	(11,477,550)
Net loss and total comprehensive expense for the year ended 31 December 2017	–	(12,027,907)	(12,027,907)
At 31 December 2017	775	(23,506,232)	(23,505,457)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2017 HK$	Period from 22 May 2015 (date of incorporation) to 31 December 2016 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(12,027,907)	(10,678,179)
Adjustments for:			
Loss on disposal of property, plant and equipment	8	4,338,673	–
Depreciation	8 & 13	7,768,884	10,796,013
Operating profit before changes in working capital		79,650	117,834
Increase in amount due from ultimate holding company		(91,100)	(193,575)
Decrease in deposits paid and prepayments		–	56,867
Increase in other payables and accruals		2,605	26,695
Net cash flows (used in)/generated from operating activities		(8,845)	7,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of items of property, plant and equipment		–	(17,440,906)
Acquisition of assets through acquisition of a subsidiary	20	–	(206,111,642)
Net cash flows used in investing activities		–	(223,552,548)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares upon incorporation		–	775
Increase in amount due to a fellow subsidiary		8,845	223,543,952
Net cash flows generated from financing activities		8,845	223,544,727

	Year ended 31 December 2017 *HK$*	Period from 22 May 2015 (date of incorporation) to 31 December 2016 *HK$*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	–	–
Cash and cash equivalents at beginning of year/period	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	–	–
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	–	–

II. NOTES ON THE HISTORICAL FINANCIAL INFORMATION

1. General

Empire Sail Limited (the "**Target Company**") is a private company incorporated in the British Virgin Islands with limited liability and its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. During the Relevant Periods, the principal activity of the Target Group was property holding to earn licence fee income, and the properties owned by the Target Group are located at Capital Centre at No. 151 Gloucester Road in Hong Kong (together referred to as "**Properties**") with information set out below:

– Office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor (with a total saleable area of approximately 11,316 square feet); and

– Carparking spaces numbers 329, 330 and 331 on the 3rd Floor.

On 11 January 2018, Lion Capital Investment Limited ("**Lion Capital**", a company incorporated in the British Virgin Islands with limited liability) entered into a provisional sale and purchase agreement, pursuant to which

(i) Lion Capital has conditionally agreed to purchase and Brilliant Circle Holdings International Limited (Stock code: 1008) ("**BCHIL**", a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited) has conditionally agreed to sell the entire issued share capital of the Target Company ("**Sale Shares**") and the shareholders' loans due and owing by the Target Group to BCHIL and BCHIL's subsidiaries (other than the Target Company and its subsidiary) ("**Sale Loans**") on the completion of the acquisition (the "**Sale Interests**") for a consideration of HK$295 million (subject to adjustments); and

(ii) Lion Capital has agreed, subject to completion of the acquisition, to grant a lease back to BCHIL or its nominee for the Unit 1201A ("**Property 1**") and Unit 1202 ("**Property 2**") of Capital Centre, No. 151 Gloucester Road, Hong Kong at the monthly rentals of HK$256,240 and HK$62,559 respectively for two years commencing from the next date immediately following the completion date of the acquisition. Lion Capital is a wholly-owned subsidiary of Eminence Enterprise Limited (the "**Company**"; Stock code: 616), a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

The Formal Agreement of the acquisition will be signed after the date of this report but before completion of the acquisition which is expected to take place on 30 April 2018 and the Company will thereafter become the ultimate holding company of the Target Company.

2. Basis of preparation of Historical Financial Information

The Historical Financial Information in this report was prepared based on the audited financial statements of the Target Group for the period from 22 May 2015 (date of incorporation) to 31 December 2016 (the "**Previously Issued Financial Statements**") and the unaudited management accounts of the Target Group for the year ended 31 December 2017. The Previously Issued Financial Statements were audited by Lee, Au & Co., Certified Public Accountants, in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**")("**Historical Financial Statements**").

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has, throughout the Relevant Periods, consistently adopted Hong Kong Accounting Standards ("**HKASs**"), Hong Kong Financial Reporting Standards ("**HKFRSs**"), amendments and interpretations.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**" or "**HKD**") and all values are rounded to the nearest dollar except when otherwise indicated.

While BCHIL will continue to finance the Target Group prior to the completion of the acquisition, the Company has also agreed to continuously provide adequate funds to the Target Group to meet in full its financial obligations as they fall due for the foreseeable future and for the coming twelve months from the completion date of the acquisition, the directors are therefore confident that Target Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the Historical Financial Information have been prepared on a going concern basis.

3. Application of new and revised Hong Kong Financial Reporting Standards

The Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 28	Long-term Investments in Associates and Joint Venture[2]
Amendments to HKAS 40	Transfers of investment property[1]
HK(IFRIC)-Interpretation 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Interpretation 23	Uncertainty over income tax treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of new and revised HKFRSs will have no material impact on the Target Group's future consolidated financial statements.

4. Significant accounting policies

The Historical Financial Information has been prepared under historical cost basis and in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (Cap. 622). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payments", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and its subsidiary. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Group or other vote holders;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition-date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Acquisition of a subsidiary not constituting a business

When the Target Group acquires a group of assets that do not constitute a business, the Target Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Target Group and when specific criteria have been met for each of the Target Group's activities, as described below:

– Licence fee income is recognised when the relevant services are rendered.

Borrowing costs

Borrowing costs not attributable to qualifying assets are recognised in profit or loss in the Relevant Periods in which they are incurred.

Foreign currencies

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the Relevant Periods in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the Relevant Periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 associated with investments in subsidiaries except where the Target Group 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the Relevant Periods 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the Relevant Periods, 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 entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the Relevant Periods, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including deposits paid and amount due from ultimate holding company) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the Relevant Periods. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an item of trade and other receivables or loans receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including amount due to a fellow subsidiary, other payables and accruals) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At the end of the Relevant Periods, the Target Group reviews the carrying amounts of its assets 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 the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Related parties

A party is considered to be related to the Target Group if:

(1) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Target Group;

  (ii) has significant influence over the Target Group; or

  (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(2) the party is an entity where any of the following conditions applies:

  (i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group 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 Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (1)(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).

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty

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

Useful lives and impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of property, plant and equipment was HK$197,937,336 (2016: HK$212,544,893). No impairment had been recognised during the Relevant Periods.

6. Capital management

The Target Group manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of net debts, which includes the amount due to a fellow subsidiary as disclosed in note 15 and equity attributable to owners of the Target Group.

The directors of the Target Group review the capital structure on a regular basis. As part of this review, the directors of the Target Group consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors of the Target Group, the Target Group will balance its overall capital structure through new share issues as well as raising of debts.

Further, BCHIL will continue to finance the Target Group prior to the completion of the acquisition and the Company also confirmed its willingness to provide sufficient cash and equity support to meet the daily operation requirements to maintain the Target Group as a going concern for the coming twelve months from the completion date of the acquisition.

Financial instruments

Categories of financial instruments

	31 December 2017	31 December 2016
	HK$	*HK$*
Financial assets		
Amount due from ultimate holding company	284,675	193,575
Deposits paid	164,475	164,475
Financial liabilities		
Amount due to a fellow subsidiary	221,052,797	223,543,952
Other payables and accruals	39,000	36,395

Financial risk management objectives and policies

The Target Group's major financial instruments include the amount due from ultimate holding company and the amount due to a fellow subsidiary. Details of these financial instruments are disclosed in notes 14 and 15, respectively. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

The Target Group relies on the shareholder as a significant source of liquidity. BCHIL will continue to finance the Target Group prior to the completion of the acquisition and the Company has also agreed to continuously provide adequate funds for the Target Group to meet in full its financial obligations as they fall due for the foreseeable future and to maintain the Target Group as a going concern for the coming twelve months from the completion date of the acquisition, the Company's directors are therefore confident that the Target Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis.

All financial liabilities are non-interest bearing and their maturity dates are within one year or on demand.

Currency risk

All of the Target Group's monetary assets and liabilities are denominated in HK$ and therefore the exchange rate risk to the Target Group is not significant.

Interest rate risk

The Target Group has no significant interest bearing assets and liabilities and hence, the Target Group's exposure to interest rate risk is minimal.

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

7. Revenue

	Year ended 31 December 2017 *HK$*	**Period from 22 May 2015 (date of incorporation) to 31 December 2016** *HK$*
Licence fee income	120,000	160,000

8. Loss before tax

The Target Group's loss before tax is arrived at after charging:

	Year ended 31 December 2017 *HK$*	**Period from 22 May 2015 (date of incorporation) to 31 December 2016** *HK$*
Auditor's remuneration	29,000	27,800
Depreciation	7,768,884	10,796,013
Loss on disposal of property, plant and equipment	4,338,673	–

9. Directors' remuneration and five highest paid employees

(i) Directors' remuneration

The Target Company has only two directors during the Relevant Periods.

No remuneration was paid to these directors during the Relevant Periods and no remuneration was waived by these directors during the Relevant Periods.

(ii) Employees' remuneration

The Target Group has no employee, thus no remuneration was paid to any employees during the Relevant Periods.

10. Taxation

	Year ended 31 December 2017 HK$	Period from 22 May 2015 (date of incorporation) to 31 December 2016 HK$
Provision for the year/period	–	820,146
Tax concession	–	(20,000)
Income tax expenses	–	800,146

Hong Kong Profits Tax has not been provided for the year ended 31 December 2017, as the Target Group has no assessable profits for the year. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for period from 22 May 2015 (date of incorporation) to 31 December 2016.

A reconciliation of the tax expenses applicable to loss before tax at the statutory rate to the tax expenses is as follows:

	Year ended 31 December 2017 HK$	Period from 22 May 2015 (date of incorporation) to 31 December 2016 HK$
Loss before tax	(12,027,907)	(10,678,179)
Tax at the statutory tax rate of 16.5% (2016: 16.5%)	(1,984,604)	(1,761,900)
Tax effect of expenses not deductible for tax purpose	843,488	1,117,294
Tax effect of income that are not taxable	–	(6,600)
Tax effect of deductible temporary differences not recognised	739,638	(635,262)
Utilisation of tax losses previously not recognised	–	(253,832)
Tax effect of tax loss not recognised	401,478	1,290,730
Tax concession	–	(20,000)
Others	–	1,069,716
Income tax expenses	–	800,146

As at 31 December 2017, the Target Group has unused tax losses of approximately HK$10,256,000 (2016: HK$7,823,000) arising in Hong Kong that are available indefinitely for offsetting against its future taxable profits. Deferred tax assets has not been recognised in respect of these losses as the Target Group has not yet agreed with the Inland Revenue Department for the tax losses and the Target Group had been loss-making and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At the end of the Relevant Periods, the major components of the deferred tax assets/(liabilities) unprovided are as follows:

	31 December 2017 *HK$*	31 December 2016 *HK$*
Temporary difference arising from accelerated depreciation allowance for tax purpose	104,376	(635,262)
Tax losses	1,692,208	1,290,730
	1,796,584	655,468

11. Basic loss per share

	Year ended 31 December 2017	Period from 22 May 2017 (date of incorporation) to 31 December 2016
Net loss and total comprehensive expense for the year/period	HK$12,027,907	HK$11,478,325
Weighted average number of ordinary shares in issue during the Relevant Periods	100	100
Basic loss per share	HK$120,279	HK$114,783

There were no potential dilutive shares in existence during the Relevant Periods.

12. Dividends

No dividends have been paid by the Target Company in respect of the Relevant Periods.

13. Property, plant and equipment

	Land and buildings *HK$*	Leasehold improvements *HK$*	Furniture and fixtures *HK$*	Total *HK$*
Costs:				
Additions during the period from 22 May 2015 (date of incorporation) to 31 December 2016	742,688	8,807,361	7,890,857	17,440,906
Addition through acquisition of a subsidiary *(note 20)*	205,900,000	–	–	205,900,000
At 31 December 2016 and at 1 January 2017	206,642,688	8,807,361	7,890,857	223,340,906
Disposal during the year ended 31 December 2017	–	–	(7,890,857)	(7,890,857)
At 31 December 2017	206,642,688	8,807,361	–	215,450,049
Accumulated depreciation:				
Depreciation for the period from 22 May 2015 (date of incorporation) to 31 December 2016	9,167,628	576,201	1,052,184	10,796,013
At 31 December 2016 and at 1 January 2017	9,167,628	576,201	1,052,184	10,796,013
Depreciation for the year ended 31 December 2017	6,888,108	880,776	–	7,768,884
Disposal during the year ended 31 December 2017	–	–	(1,052,184)	(1,052,184)
At 31 December 2017	16,055,736	1,456,977	–	17,512,713
Net carrying amounts:				
At 31 December 2017	190,586,952	7,350,384	–	197,937,336
At 31 December 2016	197,475,060	8,231,160	6,838,673	212,544,893

The Properties are situated in Hong Kong and are held under long term leases.

At 31 December 2017 and 2016, the Properties have been pledged to a bank for securing general banking facilities granted to BCHIL (note 21).

14. Amount due from ultimate holding company

The amount due from the ultimate holding company is unsecured, interest-free and repayable on demand.

15. Amount due to a fellow subsidiary

The amount due to a fellow subsidiary is unsecured, interest-free and repayable on demand.

16. Share capital

	31 December 2017	31 December 2016
Authorised:		
50,000 (2016: 50,000) ordinary shares of US$1.00 each	US$50,000	US$50,000
Issued and fully paid:		
100 (2016: 100) ordinary share of US$1.00 each	HK$775	HK$775

The Target Company was incorporated on 22 May 2015 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each. On 19 June 2015, one hundred ordinary shares of US$1.00 were issued at par to the sole member of the Target Company to meet the initial capital requirement. Other than the above, there were no changes in the Target Company's authorised, issued, and fully paid share capital during the Relevant Periods.

17. Statements of financial position of the Target Company

	31 December 2017 *HK$*	31 December 2016 *HK$*
NON-CURRENT ASSETS		
Property, plant and equipment	202,512,892	217,120,449
Investment in a subsidiary *(note)*	32,785,347	32,785,347
Total non-current assets	235,298,239	249,905,796
CURRENT ASSETS		
Amount due from ultimate holding company	205,075	103,575
Deposits paid	164,475	164,475
Total current assets	369,550	268,050
CURRENT LIABILITIES		
Loan from a subsidiary	(32,573,706)	(32,573,706)
Amount due to a subsidiary	(197,275)	(197,275)
Amount due to a fellow subsidiary	(221,052,547)	(223,543,952)
Other payables and accruals	(18,800)	(26,595)
Total current liabilities	(253,842,328)	(256,341,528)
NET CURRENT LIABILITIES	(253,472,778)	(256,073,478)
Net liabilities	(18,174,539)	(6,167,682)
DEFICIENCY IN ASSETS		
Share capital *(note 16)*	775	775
Accumulated losses	(18,175,314)	(6,168,457)
Total deficiency in assets	(18,174,539)	(6,167,682)

Note: At 31 December 2016 and 2017, the Target Company has 100% direct interest in Best Legend International Holdings Limited, which is incorporated in Hong Kong on 18 March 2010 and its principal activities are property investment and receiving licence fee income during the Relevant Periods.

18. Related party transactions

In addition to the transactions and balances detailed elsewhere in these Historical Financial Information, the Target Group had the following related party transactions during the Relevant Periods:

	Year ended 31 December 2017	**Period from 22 May 2015 (date of incorporation) to 31 December 2016**
	HK$	*HK$*
Licence fee income from ultimate holding company	120,000	160,000
Sales of furniture and fixtures to Brilliant Circle Development Limited *(note 19)*	2,500,000	–

19. Major non-cash transaction

On 1 January 2017, the Target Group sold all the furniture and fixtures to a fellow subsidiary at a consideration of HK$2,500,000 which was settled through balance with a fellow subsidiary.

20. Acquisition of assets

On 31 August 2015, the Target Company acquired the entire equity interests in Best Legend International Holdings Limited for the main purpose of acquiring the Properties. Best Legend International Holdings Limited was incorporated in Hong Kong and engaged in property investment at the date of acquisition.

Assets and liabilities at the date of acquisition:

	HK$
Property, plant and equipment	205,900,000
Deposits paid and prepayments	221,342
Accruals	(9,700)
Net assets value	206,111,642
Consideration, paid in cash	206,111,642

21. Pledge of assets

At 31 December 2017 and 31 December 2016, the Properties have been pledged by BCHIL to a bank for securing general banking facilities granted to BCHIL.

At 31 December 2017 and 31 December 2016, the banking facilities granted to BCHIL subject to guarantees given to the banks were utilised to the extent of approximately HK$348,892,000 and HK$480,107,000, respectively.

BCHIL has conditionally agreed to procure repayment of all amounts owing under the existing mortgage of the Properties on or before the completion of the Sale Interests.

22. Events after the Relevant Periods

(1) Sale share and sale loan agreement

The sole member of the Target Company entered into a provisional sale and purchase agreement with Lion Capital on 11 January 2018 to sell the Sale Interests at a total cash consideration of HK$295,000,000 (subject to adjustments).

The Formal Agreement will be signed after the date of this report but before completion which is expected to take place on 30 April 2018 and will thereafter become the ultimate holding company of the Target Company.

(2) Lease arrangement

Lion Capital has agreed, subject to completion of the acquisition, to grant a lease back to BCHIL or its nominee for each of the Property 1 and Property 2 at the monthly rentals of HK$256,240 and HK$62,559, respectively for two years commencing from the completion of the Sale Interests.

(3) Up to the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2016.

III. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The Target Company is an investment holding company and holds 100% beneficial interest in the Properties and also owns 100% shareholding interest in the Subsidiary. Save as disclosed, the Target Group has no other financial interest as at 31 December 2017. Set out below is the management discussion and analysis of the Target Group as at 31 December 2017.

Financial and Business Review

The principal activities of the Target Group are receiving the licence fee income and the holding of the Properties. The Target Group received a license fee income of HK$120,000 for the year ended 31 December 2017.

Capital Structure, Financial Resources and Liquidity

The capital structure of the Target Group consists of net debts, which includes the amount due to a fellow subsidiary and equity attributable to the owners of the Target Group. The current liability of the Target Group consists of a loan approximately HK$221,052,797 due to a fellow subsidiary, which is unsecured, interest-free and repayable on demand. The Target Group relies on the Vendor, being its ultimate holding company, which is a significant source of liquidity.

Business Strategies and Future Prospects

Other than investment in the Properties, there is no other business strategies and material future prospects as at 31 December 2017.

Capital Commitment

The Target Group did not have any significant capital commitment as at 31 December 2017.

Significant Investments

The Target Group holds 100% beneficial interest in the Properties. Other than the investment in the Properties, there was no significant investment held by the Target Group as at 31 December 2017.

Acquisition or Disposal of Subsidiary

The Target Company holds 100% shareholding interest in the Subsidiary and there is no acquisition or disposal of subsidiary as at 31 December 2017.

Employees and Staff Policy

The Target Group is an investment holding company. As at 31 December 2017, the Target Group has no employee and no remuneration was paid to any employees.

Pledge of Assets

The Properties have been pledged by the Target Company to a bank for securing the general banking facilities granted to the Vendor, being the ultimate holding company of the Target Company, as at 31 December 2017.

Future Plans for Material Investments or Capital Assets

As at 31 December 2017, the Target Group holds 100% beneficial interest in the properties and there is no future plan for any material investments or capital assets.

Gearing Ratio

As at 31 December 2017, the gearing ratio of the Target Group expressed in total bank borrowings as a percentage of net assets was nil%.

Foreign Exchange Exposure

The business operation of the Target Group is being conducted in Hong Kong and all of the Target Group's monetary assets and liabilities are denominated in Hong Kong dollars. Therefore, the foreign exchange rate risk to the Target Group is not significant.

Contingent Liabilities

As at 31 December 2017, the Target Group did not have any significant contingent liabilities.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is an illustrative and unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Enlarged Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed as of 30 September 2017 in the case of the unaudited pro forma condensed consolidated statement of financial position as at 30 September 2017, or 1 April 2016 in the case of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2017, after making the pro forma adjustments relating to the Acquisition that are factually supportable and directly attributable, as explained in the notes below.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of (i) the condensed consolidated statement of financial position as at 30 September 2017 had the Acquisition been completed as of 30 September 2017, and (ii) the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 and consolidated statement of cash flows for the year ended 31 March 2017 had the Acquisition been completed as at 1 April 2016; or at any future dates.

Unaudited Pro Forma Condensed Consolidated Statement of Financial Position

	The Group as at 30 September 2017	The Target Group as at 31 December 2017	Pro forma adjustments								Pro forma total for the Enlarged Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	*(Audited)*									*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
Non-current assets											
Property, plant and equipment	4,253	197,937	(7,350)	–	–	–	(190,587)	–	–	–	4,253
Investment properties	1,341,552	–	–	–	–	–	295,000	8,000	–	–	1,644,552
Investments in subsidiaries	–	–	–	–	–	71,057	(71,057)	–	–	–	–
Loans receivable	33,890	–	–	–	–	–	–	–	–	–	33,890
Available-for-sale investments	174,210	–	–	–	–	–	–	–	–	–	174,210
	1,553,905	197,937	(7,350)	–	–	71,057	33,356	8,000	–	–	1,856,905
Current assets											
Properties held for development for sale	1,392,443	–	–	–	–	–	–	–	–	–	1,392,443
Deposits and prepayments for acquisition of properties held for development for sale	21,208	–	–	–	–	–	–	–	–	–	21,208
Trade and other receivables	52,357	164	–	–	–	–	–	–	–	–	52,521
Loans receivable	205,557	–	–	–	–	–	–	–	–	–	205,557
Investments held for trading	4,397	–	–	–	–	–	–	–	–	–	4,397
Amount due from ultimate holding company	–	285	–	–	(285)	–	–	–	–	–	–
Bank balances and cash	343,822	–	–	–	–	(296,675)	–	–	638	(870)	46,915
	2,019,784	449	–	–	(285)	(296,675)	–	–	638	(870)	1,723,041

		Pro forma adjustments										
	The Group as at 30 September 2017 *HK$'000* *(Unaudited)* *(Note 1)*	**The Target Group as at 31 December 2017** *HK$'000* *(Audited)* *(Note 2)*	*HK$'000* *(Note 3)*	*HK$'000* *(Note 4)*	*HK$'000* *(Note 5)*	*HK$'000* *(Note 6)*	*HK$'000* *(Note 7)*	*HK$'000* *(Note 8)*	*HK$'000* *(Note 9)*	*HK$'000* *(Note 10)*	**Pro forma total for the Enlarged Group** *HK$'000* *(Unaudited)*
Current liabilities											
Trade and other payables	86,385	39	–	–	–	–	–	–	638	–	87,062
Amount due to the Vendor	–	–	–	–	223,268	(223,268)	–	–	–	–	–
Amount due to a fellow subsidiary	–	221,053	–	2,500	(223,553)	–	–	–	–	–	–
Tax payable	9,571	800	–	–	–	–	–	–	–	–	10,371
Convertible notes	53,611	–	–	–	–	–	–	–	–	–	53,611
Secured bank borrowings	420,479	–	–	–	–	–	–	–	–	–	420,479
	570,046	221,892	–	2,500	(285)	(223,268)	–	–	638	–	571,523
Net current assets (liabilities)	1,449,738	(221,443)	–	(2,500)	–	(73,407)	–	–	–	(870)	1,151,518
Total assets less current liabilities	3,003,643	(23,506)	(7,350)	(2,500)	–	(2,350)	33,356	8,000	–	(870)	3,008,423
Non-current liabilities											
Convertible notes	16,177	–	–	–	–	–	–	–	–	–	16,177
Deferred tax liabilities	32,538	–	–	–	–	–	–	–	–	–	32,538
Secured bank borrowings	388,389	–	–	–	–	–	–	–	–	–	388,389
	437,104	–	–	–	–	–	–	–	–	–	437,104
	2,566,539	(23,506)	(7,350)	(2,500)	–	(2,350)	33,356	8,000	–	(870)	2,571,319
Capital and reserves											
Share capital	22,368	1	–	–	–	–	(1)	–	–	–	22,368
Reserves	2,544,171	(23,507)	(7,350)	(2,500)	–	(2,350)	33,357	8,000	–	(870)	2,548,951
	2,566,539	(23,506)	(7,350)	(2,500)	–	(2,350)	33,356	8,000	–	(870)	2,571,319

Notes:

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017 as set out in the published interim report of the Company for the six months ended 30 September 2017.

2. The financial information of the Target Group is extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2017 as set out in the accountants' report on the Target Group prepared by Cosmos CPA Limited which is contained in Appendix II to this circular.

3. The adjustment represents write-off of the Target Group's entire leasehold improvements with a carrying amount of approximately HK$7,350,000 undertaken by the Vendor pursuant to the Provisional Agreement, which is recognised in profit or loss of the Target Group.

4. The adjustment represents write-off of amount receivable from a fellow subsidiary of the Target Company, amounting to HK$2,500,000 arising on sale of the Target Group's furniture and fixtures to this company, which was offset in "amount due to a fellow subsidiary". Pursuant to the Provisional Agreement, the Vendor undertakes to sell the Target Group's entire furniture and fixtures before Completion without being liable to account to the Group the sale proceeds therefrom.

5. For pro forma purpose, it is assumed that, upon Completion, the outstanding balances between the Target Group and its ultimate holding company and between the Target Group and its fellow subsidiaries, amounting to a net credit balance of approximately HK$223,268,000, are assigned to the Vendor. The adjustment represents the reclassification of (i) "amount due from ultimate holding company" being a debit balance of approximately HK$285,000 to "amount due to the Vendor"; and (ii) "amount due to a fellow subsidiary" being a credit balance of approximately HK$223,553,000 which is inclusive of HK$2,500,000 under pro form adjustment per (4) above to "amount due to the Vendor".

6. The adjustment represents (i) the Acquisition for a total cash consideration of HK$295,000,000 (before consideration adjustments) with the intention of the Properties being held to earn rentals and/or for capital appreciation (i.e. as investment properties); (ii) the downward consideration adjustments of approximately HK$675,000; and (iii) the incurrence of expenses directly attributable to the Acquisition of approximately HK$2,350,000, which are recognised in profit or loss, including property agent commission of approximately HK$1,475,000 and legal and other costs of approximately HK$875,000. Of the total cash consideration (including consideration adjustments) of approximately HK$294,325,000, (i) approximately HK$223,268,000 represents consideration for acquiring the Sale Loans on a dollar-for-dollar basis the amount of which is derived per (5) above; and (ii) the remaining approximately HK$71,057,000 represents consideration for acquiring the Sale Shares. There is no certainty that the net amount due to the Vendor, after assignment referred to in (5) above, at the Completion Date is the same amount of approximately HK$223,268,000 which will affect the consideration for the acquisition of each of the Sale Loans and the Sale Shares. The Group will settle the above consideration (including consideration adjustments) and directly attributable expenses by cash and, for pro forma purpose, it is assumed that cash settlement took place at the Completion Date.

For pro forma purpose, it is assumed that the consolidated statement of financial position as at the Completion Date included in the Proforma Accounts of the Target Group is the same as that as at 31 December 2017 contained in Appendix II to this circular. The Target Group's Net Tangible Assets Value at the Completion Date is derived as follows:

	HK$'000
Tangible assets	
Cash at bank	–
Deposits and prepayment	164
	164
Liabilities and provisions	
Other payables and accruals	39
Tax payable	800
	839
Net Tangible Assets Value	(675)

As the Net Tangible Assets Value is less than zero, there are downward consideration adjustments of approximately HK$675,000 and the total cash consideration, including downward consideration adjustments, of the Acquisition amount to approximately HK$294,325,000. Further details of the consideration adjustments are set out in the sub-section headed "Consideration adjustments" of the section headed "The Provisional Agreement" in the "Letter from the Board" of this circular.

7. The adjustment represents elimination of (i) the Group's cost of investment in the Target Company amounting to approximately HK$71,057,000; (ii) share capital of the Target Company of approximately HK$1,000; (iii) reclassification of the Properties from "land and buildings" under "property, plant and equipment" to "investment properties" and recognition of fair value gain of the Properties (as property, plant and equipment) upon such reclassification in "property revaluation reserve" amounting to approximately HK$104,413,000, which is derived from cash consideration of HK$295,000,000 and carrying amount of approximately HK$190,587,000; and (iv) pre-acquisition reserves of the Target Group amounting to approximately HK$71,056,000. At the Completion Date, the assets acquired and liabilities assumed by the Group are as follows:

	HK$'000
Investment properties	295,000
Trade and other receivables	164
Trade and other payables	(39)
Tax payable	(800)
Net assets assumed	294,325
Net cash outflow on acquisition	
Cash consideration paid (including downward consideration adjustments) for acquiring	
– the Sale Shares	71,057
– the Sale Loans	223,268
	294,325

The Directors are informed of the income tax status of the Target Group. As, upon Completion, a tax indemnity will be executed by the Vendor in favour of the Group undertaking to settle all tax liabilities of the Target Group incurred prior to the Completion Date for a period of seven years, the Directors determine that no adjustment to income tax payable is necessary. The Directors also determine that deferred tax assets on unutilised tax losses of the Target Group shall not be recognised as it is uncertain if such tax losses will be utilised.

For pro forma purpose, it is assumed that the fair value of the assets acquired and liabilities assumed at the Completion Date are the same amounts as at 31 December 2017; in particular, fair value of the Properties is HK$295,000,000, which is derived based on the consideration of the Acquisition, and the Sale Loans is approximately HK$223,268,000. There is no certainty that the fair value of the Properties at the Completion Date is the same amount of HK$295,000,000. Also, there is no certainty that the Sale Loans is the same amount of approximately HK$223,268,000 at the Completion Date per the Proforma Accounts of the Target Group. Any change in these amounts will affect the amount of the Properties being recognised and the cost of investment in the Target Company.

Pre-acquisition reserves of the Target Group comprise:

	HK$'000
Accumulated losses per the Target Group's audited consolidated statement of financial position	(23,507)
Pro forma adjustment per (3) above	(7,350)
Pro forma adjustment per (4) above	(2,500)
Adjusted accumulated losses	(33,357)
Property revaluation reserve per above	104,413
Total	71,056

8. The adjustment represents recognition of fair value gain of the Properties (being investment properties) in profit or loss immediately after the Completion amounting to HK$8,000,000, which is derived from fair value of HK$303,000,000 and carrying amount of HK$295,000,000 per (7) above. For pro forma purpose, it is assumed that the fair value of the Properties at the Completion Date is the same amount of fair value as at 31 December 2017, being HK$303,000,000, as assessed by Vigers Appraisal and Consulting Limited, an independent valuer, adopting the market approach. There is no certainty that the fair value of the Properties at the Completion Date is the same amount of HK$303,000,000 being fair value as at 31 December 2017. Any change in this amount will affect the fair value gain/loss of the Properties being recognised in profit or loss.

9. Pursuant to the Provisional Agreement, the Group agreed to, upon Completion, grant a lease back to the Vendor or its nominee for each of Property 1 and Property 2 at monthly rentals of HK$256,240 and HK$62,559, respectively, for two years commencing from the next date immediately following the Completion Date (the "Lease Period") and with security deposit payable to the Target Company by respective tenants which is equivalent to two months' rental. For pro forma purpose, it is assumed that security deposits for Property 1 amounting to approximately HK$513,000 and for Property 2 amounting to approximately HK$125,000, i.e. an aggregate sum of approximately HK$638,000, are paid by the tenants to the Target Company on the Completion Date. Further details of the lease back arrangements are set out in the sub-section headed "Leasing back of Property 1 and Property 2" of the section headed "The Provisional Agreement" in the "Letter from the Board" of this circular.

The aforesaid rentals have been determined after arm's length negotiations between the Group and the Vendor with reference to the prevailing market rates for similar type and size of premises in the vicinity. There is no certainty that the market monthly rentals of Property 1 and Property 2 are the same amounts of HK$256,240 and HK$62,559, respectively. Any change in these amounts will affect the cost of initial recognition of the Properties. If market monthly rental is higher than the agreed monthly rental, the total excess over the Lease Period will be added to the purchase cost of the Properties and accounted for as deferred rental income (as liabilities) which will be recognised in profit or loss as rental income on a straight-line basis over the Lease Period. If market monthly rental is lower than the agreed monthly rental, the total shortfall over the Lease Period will be deducted from the purchase cost of the Properties and accounted for as rental receivable (as receivables) which will be recognised in profit or loss as deduction from rental income on a straight-line basis over the Lease Period.

10. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK$870,000.

11. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2017.

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

	The Group for the year ended 31 March 2017	The Target Group for the year ended 31 December 2017	Pro forma adjustments				Pro forma total for the Enlarged Group for the year ended 31 March 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Audited)	(Audited)					(Unaudited)
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
Revenue	36,518	120	–	–	3,826	–	40,464
Cost of goods sold and services rendered	(171)	–	–	–	–	–	(171)
	36,347	120	–	–	3,826	–	40,293
Other income	17,573	–	–	–	–	–	17,573
Other gains and losses	(286)	–	–	–	–	–	(286)
Other expenses	(492)	–	(2,350)	–	–	–	(2,842)
Distribution and selling expenses	(13)	–	–	–	–	–	(13)
Administrative expenses	(32,911)	(12,148)	–	12,108	–	(870)	(33,821)
Loss on changes in fair value of investment properties	(12,792)	–	–	8,000	–	–	(4,792)
Impairment loss on available-for-sale investments	(14,176)	–	–	–	–	–	(14,176)
Loss on fair value changes of investments held for trading	(2,374)	–	–	–	–	–	(2,374)
Loss on fair value change of financial assets designated as at fair value through profit or loss	(1,255)	–	–	–	–	–	(1,255)
Finance costs	(19,213)	–	–	–	–	–	(19,213)
Loss before taxation	(29,592)	(12,028)	(2,350)	20,108	3,826	(870)	(20,906)
Taxation	2,965	–	–	–	–	–	2,965
Loss for the year attributable to owners of the Company	(26,627)	(12,028)	(2,350)	20,108	3,826	(870)	(17,941)

	The Group for the year ended 31 March 2017	The Target Group for the year ended 31 December 2017	Pro forma adjustments				Pro forma total for the Enlarged Group for the year ended 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*					*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Other comprehensive income (expense)							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of financial statements of foreign operations	(16,038)	–	–	–	–	–	(16,038)
Change in fair value of available-for-sale investments	13,995	–	–	–	–	–	13,995
Reclassification adjustment upon impairment of available-for-sale investments	14,176	–	–	–	–	–	14,176
Release upon disposal of available-for-sale investments	(5,059)	–	–	–	–	–	(5,059)
Other comprehensive income for the year	7,074	–	–	–	–	–	7,074
Total comprehensive expense for the year attributable to owners of the Company	(19,553)	(12,028)	(2,350)	20,108	3,826	(870)	(10,867)

Notes:

1. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2017 as set out in the published annual report of the Company for the year ended 31 March 2017.

2. The financial information of the Target Group is extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2017 as set out in the accountants' report on the Target Group prepared by Cosmos CPA Limited which is contained in Appendix II to this circular.

3. For pro forma purpose, it is assumed that the consolidated statement of financial position as at the Completion Date included in the Proforma Accounts of the Target Group is the same as that as at 31 December 2016 contained in Appendix II to this circular. The Target Group's Net Tangible Assets Value at the Completion Date is derived as follows:

	HK$'000
Tangible assets	
Cash at bank	–
Deposits and prepayment	164
	164
Liabilities and provisions	
Other payables and accruals	36
Tax payable	800
	836
Net Tangible Assets Value	(672)

As the Net Tangible Assets Value is less than zero, there are downward consideration adjustments of approximately HK$672,000 and the total cash consideration, including downward consideration adjustments, of the Acquisition amount to approximately HK$294,328,000. Further details of the consideration adjustments are set out in the sub-section headed "Consideration adjustments" of the section headed "The Provisional Agreement" in the "Letter from the Board" of this circular.

The adjustment represents recognition of expenses directly attributable to the Acquisition of approximately HK$2,350,000, including property agent commission of approximately HK$1,475,000 and legal and other costs of approximately HK$875,000, in profit or loss under "other expenses".

At the Completion Date, the assets acquired and liabilities assumed by the Group are as follows:

	HK$'000
Investment properties	295,000
Trade and other receivables	164
Trade and other payables	(36)
Tax payable	(800)
Net assets assumed	294,328
Net cash outflow on acquisition	
Cash consideration paid (including downward consideration adjustments) for acquiring	
– the Sale Shares	70,977
– the Sale Loans	223,351
	294,328

For pro forma purpose, it is assumed that, upon Completion, the outstanding balances between the Target Group and its ultimate holding company and between the Target Group and its fellow subsidiaries, amounting to a net credit balance of approximately HK$223,351,000, are assigned to the Vendor. The adjustment represents the reclassification of (i) "amount due from ultimate holding company" being a debit balance of approximately HK$193,000 to "amount due to the Vendor"; and (ii) "amount due to a fellow subsidiary" being a credit balance of approximately HK$223,544,000 to "amount due to the Vendor". Of the total cash consideration (including consideration adjustments) of approximately HK$294,328,000, (i) approximately HK$223,351,000 represents consideration for acquiring the Sale Loans on a dollar-for-dollar basis the amount of which is derived as aforesaid; and (ii) the remaining approximately HK$70,977,000 represents consideration for acquiring the Sale Shares. There is no certainty that the net amount due to the Vendor, after assignment, at the Completion Date is the same amount of approximately HK$223,351,000 which will affect the consideration for the acquisition of each of the Sale Loans and the Sale Shares.

The Directors are informed of the income tax status of the Target Group. As, upon Completion, a tax indemnity will be executed by the Vendor in favour of the Group undertaking to settle all tax liabilities of the Target Group incurred prior to the Completion Date for a period of seven years, the Directors determine that no adjustment to taxation charge is necessary. The Directors also determine that deferred tax assets on unutilised tax losses of the Target Group shall not be recognised as it is uncertain if such tax losses will be utilised.

For pro forma purpose, it is assumed that the fair value of the assets acquired and liabilities assumed at the Completion Date are the same amounts as at the beginning of the year; in particular, fair value of the Properties is HK$295,000,000, which is derived based on the consideration of the Acquisition, and the Sale Loans is approximately HK$223,351,000. There is no certainty that the fair value of the Properties at the Completion Date is the same amount of HK$295,000,000. Also, there is no certainty that the Sale Loans is approximately HK$223,351,000 at the Completion Date per the Proforma Accounts of the Target Group. Any change in these amounts will affect the amount of the Properties being recognised and the cost of investment in the Target Company.

4. The adjustments represent the following:

   (i) Recognition of fair value gain of the Properties (as investment properties) in profit or loss amounting to HK$8,000,000, which is derived from fair value at the end of the year of HK$303,000,000 and fair value at the beginning of the year of HK$295,000,000 per (3) above. For pro forma purpose, it is assumed that the fair value of the Properties at the end of the year is the same amount of fair value as at 31 December 2017, being HK$303,000,000, as assessed by Vigers Appraisal and Consulting Limited, an independent valuer, adopting the market approach. There is no certainty that the fair value of the Properties at the end of the year is the same amount of HK$303,000,000 being fair value as at 31 December 2017. Any change in this amount will affect the fair value gain/loss of the Properties being recognised in profit or loss.

   (ii) Elimination of (a) depreciation of land and buildings and leasehold improvements in the aggregate sum of approximately HK$7,769,000 and (b) loss on disposal of furniture and fixtures of approximately HK$4,339,000 (included in administrative expenses by the Target Group).

5. The adjustment represents rental income received from leasing back to the Vendor or its nominee of each of Property 1 and Property 2 at monthly rentals of HK$256,240 and HK$62,559, respectively, commencing from the next date immediately following the Completion Date. The annual rental income from Property 1 is approximately HK$3,075,000 and the annual rental income from Property 2 is approximately HK$751,000. Details of the lease back arrangement and details of the monthly rentals of each of Property 1 and Property 2 are set out in note 9 to the "Unaudited pro forma condensed consolidated statement of financial position" of this appendix. Pursuant to the draft tenancy agreement which is part of the Provisional Agreement, the tenants shall pay to the Target Company rent in advance on the first day of a calendar month and minimum tenancy term is 12 months.

   For pro forma purpose, it is assumed that outgoings related to the Properties are insignificant. While the Target Company has sufficient amount of tax losses brought forward to offset rental income earned during the year, tax effect on the rental income, if assessed at a tax rate of 16.5%, is approximately HK$631,000.

6. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK$870,000.

7. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.

Unaudited Pro Forma Consolidated Statement of Cash Flows

	The Group for the year ended 31 March 2017	The Target Group for the year ended 31 December 2017	Pro forma adjustments					Pro forma total for the Enlarged Group for the year ended 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*						*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Operating activities								
Loss before taxation	(29,592)	(12,028)	(2,350)	20,108	3,826	–	(870)	(20,906)
Adjustments for:								
Interest income	(6,421)	–	–	–	–	–	–	(6,421)
Interest expense	19,213	–	–	–	–	–	–	19,213
Depreciation	444	7,769	–	(7,769)	–	–	–	444
Loss on disposal of property, plant and equipment	1	4,339	–	(4,339)	–	–	–	1
Loss on changes in fair value of investment properties	12,792	–	–	(8,000)	–	–	–	4,792
Impairment loss on available-for-sale investments	14,176	–	–	–	–	–	–	14,176
Gain on disposal of available-for-sale investments	(5,059)	–	–	–	–	–	–	(5,059)
Unrealised loss on fair value changes of investments held for trading	2,374	–	–	–	–	–	–	2,374
Loss on fair value change of financial assets designated as at fair value through profit or loss	1,255	–	–	–	–	–	–	1,255
Equity-settled share-based payment expense	2,083	–	–	–	–	–	–	2,083
Dividend income from listed investments	(4,247)	–	–	–	–	–	–	(4,247)

	The Group for the year ended 31 March 2017	The Target Group for the year ended 31 December 2017	Pro forma adjustments					Pro forma total for the Enlarged Group for the year ended 31 March 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Audited)	(Audited)						(Unaudited)
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	
Operating cash flows before movements in working capital	7,019	80	(2,350)	–	3,826	–	(870)	7,705
Increase in properties held for development for sale	(393,338)	–	–	–	–	–	–	(393,338)
Increase in deposits and prepayments paid for acquisition of properties held for development for sale	(12,791)	–	–	–	–	–	–	(12,791)
Increase in trade and other receivables	(4,340)	–	–	–	–	(91)	–	(4,431)
Increase in loans receivable	(188,395)	–	–	–	–	–	–	(188,395)
Increase in investments held for trading	(935)	–	–	–	–	–	–	(935)
Increase in trade and other payables	18,901	2	–	–	638	9	–	19,550
Increase in amount due from ultimate holding company	–	(91)	–	–	–	91	–	–
Cash used in operations	(573,879)	(9)	(2,350)	–	4,464	9	(870)	(572,635)
Income tax paid	(133)	–	–	–	–	–	–	(133)
Dividend received from investments	4,247	–	–	–	–	–	–	4,247
Net cash used in operating activities	(569,765)	(9)	(2,350)	–	4,464	9	(870)	(568,521)

		Pro forma adjustments						
	The Group for the year ended 31 March 2017	**The Target Group for the year ended 31 December 2017**						**Pro forma total for the Enlarged Group for the year ended 31 March 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*						*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Investing activities								
Purchase of other finance assets	(375,976)	–	–	–	–	–	–	(375,976)
Placement of bank deposits with original maturity of more than three months	(103,606)	–	–	–	–	–	–	(103,606)
Settlement of debts assigned in acquisition of subsidiaries	(82,135)	–	–	–	–	–	–	(82,135)
Purchase of available-for-sale investments	(35,900)	–	–	–	–	–	–	(35,900)
Net cash outflow on acquisition of assets and liabilities through acquisition of subsidiaries	(34,372)	–	(294,328)	–	–	–	–	(328,700)
Additions of investment properties	(13,778)	–	–	–	–	–	–	(13,778)
Purchase of property, plant and equipment	(3,558)	–	–	–	–	–	–	(3,558)
Proceeds from disposal of other financial assets	321,767	–	–	–	–	–	–	321,767
Proceeds from disposal of available-for-sale investments	23,133	–	–	–	–	–	–	23,133
Interest received	6,567	–	–	–	–	–	–	6,567
Proceeds from disposal of property, plant and equipment	15	–	–	–	–	–	–	15
Net cash used in investing activities	(297,843)	–	(294,328)	–	–	–	–	(592,171)

	The Group for the year ended 31 March 2017	Pro forma adjustments: The Target Group for the year ended 31 December 2017						Pro forma total for the Enlarged Group for the year ended 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*						*(Unaudited)*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Financing activities								
Bank borrowings raised	684,595	–	–	–	–	–	–	684,595
Proceeds from issue of new shares	96,140	–	–	–	–	–	–	96,140
Proceeds from issue of convertible note	50,000	–	–	–	–	–	–	50,000
Interest paid	(10,678)	–	–	–	–	–	–	(10,678)
Repayment of bank borrowings	(5,027)	–	–	–	–	–	–	(5,027)
Transaction costs attributable to issue of new shares	(961)	–	–	–	–	–	–	(961)
Increase in amount due to a fellow subsidiary	–	9	–	–	–	(9)	–	–
Net cash from financing activities	814,069	9	–	–	–	(9)	–	814,069
Net decrease in cash and cash equivalents	(53,539)	–	(296,678)	–	4,464	–	(870)	(346,623)
Cash and cash equivalents at beginning of the year	465,279	–	–	–	–	–	–	465,279
Effect of foreign exchange rate changes	(1,856)	–	–	–	–	–	–	(1,856)
Cash and cash equivalents at end of the year, represented by bank balances and cash	409,884	–	(296,678)	–	4,464	–	(870)	116,800

Notes:

1. The figures are extracted from the audited consolidated statement of cash flows of the Group for the year ended 31 March 2017 as set out in the published annual report of the Company for the year ended 31 March 2017.

2. The financial information of the Target Group is extracted from the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2017 as set out in the accountants' report on the Target Group prepared by Cosmos CPA Limited which is contained in Appendix II to this circular.

3. The adjustment represents settlement in cash at the Completion Date of (i) the total cash consideration, including downward consideration adjustments, of the Acquisition amounting to approximately HK$294,328,000; and (ii) expense directly attributable to the Acquisition of approximately HK$2,350,000 recognised in profit or loss. Details of how the aforesaid amounts are derived are set as in note 3 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix.

4. The adjustments represent the following:

   (i) Recognition of fair value gain of the Properties (as investment properties) in profit or loss amounting to HK$8,000,000, which is derived from fair value at the end of the year of HK$303,000,000 and fair value at the beginning of the year of HK$295,000,000 as per note 3 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix. For pro forma purpose, it is assumed that the fair value of the Properties at the end of the year is the same amount of fair value as at 31 December 2017, being HK$303,000,000, as assessed by Vigers Appraisal and Consulting Limited, an independent valuer, adopting the market approach. There is no certainty that the fair value of the Properties at the end of the year is the same amount of HK$303,000,000 being fair value as at 31 December 2017. Any change in this amount will affect the fair value gain/loss of the Properties being recognised in profit or loss.

   (ii) Elimination of (a) depreciation of land and buildings and leasehold improvements in the aggregate sum of approximately HK$7,769,000 and (b) loss on disposal of furniture and fixtures of approximately HK$4,339,000.

5. The adjustment represents (i) security deposits in the aggregate sum of HK$638,000 received by the Target Company from respective tenants of Property 1 and Property 2 when the Target Company, upon Completion, leases back each of Property 1 and Property 2 to the Vendor or its nominee; and (ii) annual rental income from Property 1 of approximately HK$3,075,000 and annual rental income from Property 2 of approximately HK$751,000 which are received on a monthly basis in advance on the first day of a calendar month for a minimum tenancy term of 12 months. Details of the lease back arrangement and details of the monthly rentals and therefore the security deposits of each of Property 1 and Property 2 are set out in note 9 to the "Unaudited pro forma condensed consolidated statement of financial position" of this appendix and note 5 to the "Unaudited pro forma consolidated statement of profit or loss and other comprehensive income" of this appendix. For pro forma purpose, it is assumed that cash collection of the security deposits took place at the Completion Date.

6. The adjustment represents (i) reclassification from "increase in amount due from ultimate holding company" to "increase in trade and other receivables" of a negative amount of approximately HK$91,000; and (ii) elimination of "increase in amount due to a fellow subsidiary" of approximately HK$9,000.

7. The adjustment represents payment of the estimated transaction costs attributable to this circular of approximately HK$870,000.

8. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants. Hong Kong, the reporting accountants of the Company, in respect of the Enlarged Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

TO THE DIRECTORS OF EMINENCE ENTERPRISE LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Eminence Enterprise Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 September 2017, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2017 and related notes as set out in Section A of Appendix III to the circular issued by the Company dated 15 March 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition from Brilliant Circle Holdings International Limited (the "Vendor") of the entire issued share capital of Empire Sail Limited and the entire amount of the shareholders' loan due and owing by Empire Sail Limited and its sole subsidiary to the Vendor (the "Acquisition") on the Group's financial position as at 30 September 2017 and the Group's financial performance and cash flows for the year ended 31 March 2017 as if the Acquisition had taken place at 30 September 2017 and 1 April 2016, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2017, 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 Group's audited consolidated financial statements for the year ended 31 March 2017, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 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 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

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.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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 unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the 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 2017 or 1 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 March 2018

The following is the text of a letter and property valuation report prepared for the purpose of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent professional valuer, in connection with the valuation of the Property to be acquired by the Group as at 31 December 2017.

Vigers Appraisal and Consulting Limited
International Property Consultants
10/F, The Grande Building,
398 Kwun Tong Road, Kowloon, Hong Kong
Tel: (852) 2342-2000 Fax: (852) 3101-9041 E-mail: gp@vigers.com
www.vigers.com

15 March 2018

The Board of Directors
Eminence Enterprise Limited

7th Floor, Hong Kong Spinners Industrial Building Phase 6,
Nos. 481-483 Castle Peak Road,,
Cheung Sha Wan, Kowloon, Hong Kong

Dear Sirs,

In accordance with your instruction for us to value the Property to be acquired by a wholly-owned subsidiary of "**Eminence Enterprise Limited**" (referred to as "the Company" and collectively referred to as "the Group"), we confirm that we have inspected the Property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the Property as at 31st December 2017 (the "Valuation Date").

BASIS OF VALUE

Our valuation is our opinion of market value of the Property which is defined as intended to mean "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". Our valuation has been prepared in accordance with "The HKIS Valuation Standards (2017 Edition)" published by "The Hong Kong Institute of Surveyors" ("HKIS"), "RICS Valuation – Global Standards 2017" published by the "Royal Institution of Chartered Surveyors" ("RICS"), relevant provisions in the Companies Ordinance and the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" (Main Board) published by "The Stock Exchange of Hong Kong Limited" ("HKEx").

VALUATION APPROACH

In our valuation, we have employed the direct comparison method whereby comparisons based on transactions on actual sales of comparable property have been made. Comparable property with similar character, location, sizes and so on are analyzed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at the fair comparison of values.

TITLE INVESTIGATIONS

We have conducted land searches at the Land Registry but we have not searched the original documents to ascertain ownership nor to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference purposes and all dimensions, measurements and areas are therefore approximations.

VALUATION CONSIDERATION

On-site inspection to the Property was carried out by Mr. Vincent T. S. CHAN *BSc(Hons)* on 17th January 2018. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures of the Property which was covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Property is free from any structural or non-structural defect.

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Group, particularly planning approvals or statutory notices, easements, land-use rights, floor areas, occupancy status and in the identification of the Property.

Unless otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on the information contained in the documents provided to us by the Group and are therefore approximations. We have had no reason to doubt the truth and accuracy of the information made available to us and we have been advised by the Group that no material facts have been omitted from the information so given.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property could be sold in the prevailing market in existing state but without the effect of any deferred term contract, leaseback, management agreement or any other similar arrangement which may serve to affect the value of the Property, unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

In our valuation, we have assumed that the owner(s) of the Property has free and uninterrupted rights to use and assign the Property during the whole of the unexpired land-lease term granted subject to the payment of usual Government Rent.

We had carried out on-site inspection to the Property but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development or to be erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory. In our valuation, we have also assumed that all necessary consents, approvals and licences from relevant government authorities have been or will have been granted for any property development erected or to be erected on the Property.

Our market value assessment of the Property is the value estimated without regard to costs of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Property has been disregarded. In our valuation, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the Property.

Unless otherwise stated, all monetary amounts stated herein are denoted in the currency of Hong Kong Dollars ("HK$"), the lawful currency of Hong Kong.

We enclose herewith the core content of our valuation report.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

David W. I. CHEUNG
MRICS MHKIS RPS(GP) CREA
RICS Registered Valuer
Executive Director

Eric W. L. TANG
MRICS
RICS Registered Valuer
Director

Note: Mr. David W. I. Cheung is a Registered Professional Surveyor in General Practice Division with over 35 years' valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom, Canada and the United States of America, who has been vetted on the list of property valuers for undertaking valuations for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers published by The Hong Kong Institute of Surveyors, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Cheung has over 11-year of experience with Vigers Appraisal and Consulting Limited.

Mr. Eric W. L. Tang is a Member of the Royal Institution of Chartered Surveyors with over 15 years' valuation experience on property in various regions including Hong Kong, Macao and the PRC. Mr. Tang has over 10-year of experience with Vigers Appraisal and Consulting Limited.

PROPERTY VALUATION REPORT

Property to be acquired by the Group for investment

The Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date
Office Unit Nos. 01, 02, 03, 05, 06, 07, 08 and 09 on 12th Floor and Car Parking Space Nos. 329, 330 and 331 on 3rd Floor, Capital Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong (the "**Property**") All those 88.5/2119th shares or parcels of ground known and registered at the Land Registry as in The Remaining Portion of Section A of Inland Lot No. 2755 and The Remaining Portion of Inland Lot No. 2755.	Completed in 1982, Capital Centre (the "**Development**") is located at the junction of Gloucester Road and Tonnochy Road in Wan Chai district on the Hong Kong Island. The Development comprises a 25-storey office building erected over 3-storey car parking spaces, a commercial podium as well as a basement. Upon our inspection and according to the information provided by the Group, the Property comprises the whole of the 12th Floor of the Development which are originally divided into 8 office units with provision of the common areas and repartitioned into 5 office units with a total saleable area of approximately 1,051.2918 square metres (or 11,316 square feet) and 3 car parking spaces on 3rd Floor of the Development. Please refer to Note. 3 below for further details. The Development is held under Government Lease for a term of 99 years from 14th April 1928 renewed for a further lease term of 99 years.	According to the information provided by the Group, Office Unit 1201 of the Property with the saleable area of 4,326 square feet was subject to a license commencing from 1st June 2016 with a monthly license fee of HK$10,000 whilst the remainder of the Property was owner-occupied.	HK$303,000,000

Notes:

1. Pursuant to the recent land registration record, the current registered owner of the Property is EMPIRE SAIL LIMITED vide Memorial No. 16062401900035 dated 27th May 2016.

2. Pursuant to the recent land registration record, the Property is subject to the following salient encumbrances:

Property	:	Encumbrances
Office Portion	:	1. Deed of Mutual Covenant and Mangement Agreement vide Memorial No. UB3575200 dated 20th November 1987;
		2. Supplemental Deed of Mutual Covenant and Mangement Agreement in favour of National Mutual Property Management Company Limited "The CP Manager" vide Memorial No. UB6012366 dated 18th May 1994;
		3. Sub Deed of Mutual Covenant vide Memorial No. UB7324334 dated 22nd October 1997;

4. Re-registration of Supplemental Deed of Mutual Covenant and Mangement Agreement in favour of National Mutual Property Management Company Limited “The CP Manager” vide Memorial No. 05101402110018 dated 18th May 1994;

5. Mortgage for all monies (PT.) in favour of Hang Seng Bank Limited vide Memorial No. 16062401900040 dated 27th May 2016;

6. Memorandum of Change of Name vide Memorial No. 17082802190214 dated 21st August 2017.

Car Parking Portion :

1. Deed of Mutual Covenant and Mangement Agreement vide Memorial No. UB3575200 dated 20th November 1987;

2. Supplemental Deed of Mutual Covenant and Mangement Agreement in favour of National Mutual Property Management Company Limited “The CP Manager” vide Memorial No. UB6012366 dated 18th May 1994;

3. Re-registration of Supplemental Deed of Mutual Covenant and Mangement Agreement in favour of National Mutual Property Management Company Limited “The CP Manager” vide Memorial No. 05101402110018 dated 18th May 1994;

4. Mortgage for all monies (PT.) in favour of Hang Seng Bank Limited vide Memorial No. 16062401900040 dated 27th May 2016;

5. Memorandum of Change of Name vide Memorial No. 17082802190214 dated 21st August 2017.

3. According to the Deed of Division vide Memorial No. UB7324333 dated 22nd October 1997 (“the Deed”), the Office Portion of the Property was divided into Office Units 01, 07,08 and 09, and Office Units 02, 03, 05 and 06, with provision of the common areas for such office units which are intended to be used by their co-owners for the time-being. The common areas comprise Corridor, Lift Lobby and Lavatories.

   Pursuant to the specific instruction by the Group, we have assessed the Office Portion of the Property assuming sold as a whole floor, i.e., its original layout before the above-mentioned division as shown on the 6th-14th Floor Plan annexed to the Assignment vide Memorial No. 3575198 and re-registered vide Memorial No. 4321073 dated 20th November 1987 with a saleable area of approximately 1,051.2918 square metres (or 11,316 square feet).

4. The property falls within an area zoned “Commercial” on Approved Wan Chai Outline Zoning Plan No. S/H5/27 (“the Outline Zoning Plan”) dated 3rd August 2012. This zone is intended primarily commercial developments, which may include uses such as office, shop, services, place of entertainment, eating place and hotel, functioning as territorial business/financial centre(s) and regional of district commercial/shopping centre(s). These areas are usually employment nodes.

5. The Development is located at the junction between Gloucester Road and Tonnochy Road in Wan Chai district on the Hong Kong Island. The locality is an office area dominated by a number of grand office buildings of various age. The accessibility is considered to be reasonable facilitated by public transportation such as buses, tram, light buses and taxis well served. The MTR-Wan Chai Station is located with 5 minutes’ walk away from the Development.

6. In our valuation, we have compared the asset with identical or comparable (that is similar) assets for which price information is available. Comparable properties with similar character, location, size and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at the fair comparison of value. The unit rates of comparable transactions are in the range of about HK$21,075 to HK$39,150 per square foot for whole floor office units and about HK$1,550,000 to HK$2,450,000 per car parking space for car parking portion. Our valuation falls within these ranges.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interest in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in Shares:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust *(note)*	739,330,692	311,480,281	1,050,810,973	35.43%

Note: These Shares are respectively registered in the name of and are beneficially owned by Landmark Profits Limited ("**Landmark Profits**") and Goodco Development Limited ("**Goodco**"), both are wholly-owned subsidiaries of Easyknit. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited ("**Magical Profits**") is interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited ("**Winterbotham Trust**") as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). For the 311,480,281 underlying Shares, of which 288,880,281 are the underlying Shares of 2014CN, 2017CN1 and 2017CN2 held by Goodco and the remaining 22,600,000 underlying Shares of the share options granted to Ms. Lui Yuk Chu and Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) on 14 October 2016.

Long positions in underlying Shares:

Name of Director	Date of grant	Exercise price per Share *(HK$)*	Number of share options outstanding	Exercise period	Number of underlying Shares	Approximate percentage of underlying Shares in the Company's total issued share capital
Lui Yuk Chu	14 Oct 2016	0.176	11,300,000	14 Oct 2016 – 13 Oct 2019	11,300,000	0.38%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interest in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons ("**Substantial Shareholders**") (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital are set out below:

Name of Shareholder	*Note*	Capacity	Number of Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Lui Yuk Chu	*i, ii and iii*	Beneficial owner	739,330,692	311,480,281	1,050,810,973	35.43%
Koon Wing Yee	*i*	Interest of spouse	739,330,692	311,480,281	1,050,810,973	35.43%
Landmark Profits	*i & ii*	Beneficial owner	93,549,498	–	93,549,498	3.15%
Goodco	*i & ii*	Beneficial owner	645,781,194	288,880,281	934,661,475	31.51%

Name of Shareholder	*Note*	Capacity	Number of Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Easyknit	*i & ii*	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Magical Profits	*i & ii*	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Accumulate More Profits Limited	*i*	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Winterbotham Trust	*i & iii*	Trustee	739,330,692	288,880,281	1,028,210,973	34.67%
Winterbotham Holdings Limited	*iii*	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Markson International Holdings Limited	*iii*	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Christopher Geoffrey Douglas Hooper	*iii*	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Ivan Geoffrey Douglas Hooper	*iii*	Interest of controlled corporation	739,330,692	288,880,281	1,028,210,973	34.67%
Madian Star Limited		Beneficial owner	–	537,500,000	537,500,000	18.12%
Hu Rong		Beneficial owner	400,000,000	–	400,000,000	13.49%
Able Merchant Limited		Beneficial owner	152,222,222	–	152,222,222	5.13%

Notes:

(i) In the 739,330,692 Shares, 93,549,498 Shares and 645,781,194 Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both are the wholly-owned subsidiaries of Easyknit. Goodco is also interested in 288,880,281 underlying Shares (subject to adjustment) to be issued upon the full conversion of the 2014CN, 2017CN1 and 2017CN2. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of Easyknit and it is wholly-owned by Ms. Lui Yuk Chu, a Director. Magical Profits is interested in approximately 36.74% of the issued share capital of Easyknit, Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by

Winterbotham Trust as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 739,330,692 Shares. For the 311,480,281 underlying Shares, of which 288,880,281 are the underlying Shares of 2014CN, 2017CN1 and 2017CN2 held by Goodco and the remaining 22,600,000 underlying Shares of the share options granted to Ms. Lui Yuk Chu and Mr. Koon Wing Yee (the spouse of Ms. Lui Yuk Chu) on 14 October 2016.

(ii) Ms. Lui Yuk Chu, being Director, is also director of Landmark Profits, Goodco, Easyknit, Sea Rejoice Limited and Magical Profits.

(iii) Winterbotham Trust is trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Winterbotham Trust is owned as to 75% by Winterbotham Holdings Limited ("**Winterbotham Holdings**") and 25% by Markson International Holdings Limited ("**Markson**") respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. And Markson is owned as to 60% by Mr. Christopher Geoffrey Douglas Hooper and 40% by Mr. Ivan Geoffrey Douglas Hooper respectively.

(iv) The noteholder of a convertible note issued by the Company to Madian Star Limited on 12 June 2015 in the aggregate principal amount of HK$86,000,000 for a term of 2 years and conferring rights to convert shares on the basis of the then conversion price of HK$0.33 per share. The terms of this convertible note are revised for a term of 7 years at a conversion price of HK$0.16 per share with effect from 11 May 2017.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2017 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

6. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on by the Group, were entered into by the Group within 2 years immediately preceding the date of this circular which are or may be material:

(a) the placing agreement dated 8 September 2016 entered into between the Company and Get Nice Securities Limited, as the placing agent, to place 223,000,000 new Shares of the Company at a placing price of HK$0.18 per Share;

(b) the underwriting agreement dated 13 October 2016 entered into between the Company and China Rise Securities Asset Management Limited and Get Nice Securities Limited, as the underwriters, in relation to the underwriting and certain other arrangements in respect of a rights issue of not less than 3,313,504,101 rights shares and not more than 4,434,322,281 rights shares at the subscription price of HK$0.103 per rights share;

(c) the subscription agreement dated 1 March 2017 entered into between the Company and Goodco, a wholly-owned subsidiary of Easyknit, relating to the issuing of a 3% per annum coupon rate 2017 convertible note for a principal amount of HK$16,000,000 conferring the rights to convert the Shares on the basis of the conversion price of HK$0.16 per Share till 2022;

(d) the second deed of amendments dated 1 March 2017 relating to the revision of the terms of 2015 convertible note by revising the conversion price to HK$0.16 and extending the exercise period to 2022;

(e) the placing agreement dated 3 July 2017 entered into between the Company and Get Nice Securities Limited, as the placing agent, to place 325,000,000 new Shares of the Company at a placing price of HK$0.08 per Share;

(f) the subscription agreement dated 7 August 2017 entered into between the Company and Goodco, a wholly-owned subsidiary of Easyknit, relating to the issuing of a 3% per annum coupon rate convertible note for a principal amount of HK$28,200,000 conferring the rights to convert the Shares on the basis of the conversion price of HK$0.06 per Share till 2020;

(g) the sale and purchase agreement dated 14 August 2017 entered into between Treasure Arts International Group Limited, an indirect wholly-owned subsidiary of the Company, and a seller relating to the acquisition of workshop A, 1/F of Fung Wah Factorial Building, which is situated at No. 646, 648 & 648A Castle Peak Road, Kowloon, Hong Kong, for a consideration of HK$11,500,000;

(h) the provisional sale and purchase agreement dated 15 August 2017 entered into between Treasure Arts International Group Limited as purchaser and a seller, relating to the acquisition of workshop D, ground floor of Fung Wah Factorial Building for a consideration of HK$69,800,000;

(i) the sale and purchase agreement dated 20 November 2017 entered into between Treasure Arts International Group Limited and the sellers relating to the acquisition of workshop space A1, ground floor of Fung Wah Factorial Building for a consideration of HK$53,000,000;

(j) the placing agreement dated 30 November 2017 entered into between the Company and Get Nice Securities Limited, as the placing agent, to place 447,000,000 Shares of the Company at a placing price of HK$0.055 per Share; and

(k) the Provisional Agreement.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group has been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who are named in this circular or have given their opinions or advices which are contained in this circular:

Name	Qualification
Cosmos CPA Limited	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
Vigers Appraisal and Consulting Limited	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 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appears.

9. GENERAL

(a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in legal field.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular prevails over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2015, 2016 and 2017;

(c) the interim report of the Company for the six months ended 30 September 2017;

(d) the accountants' report on the Target Group issued by Cosmos CPA Limited, the text of which is set out in Appendix II to this circular;

(e) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(f) the valuation report prepared by Vigers Appraisal and Consulting Limited, the text of which is set out in Appendix IV to this circular;

(g) the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;

(h) the material contracts referred to the paragraph headed "Material contracts" in this appendix;

(i) a copy of each circular issued pursuant to the requirement set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts; and

(j) this circular.

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 "**Meeting**") of Eminence Enterprise Limited (the "**Company**") will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Wednesday, 11 April 2018, at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the provisional sale and purchase agreement (the "**Agreement**") dated 11 January 2018 entered into by Lion Capital Investment Limited, a subsidiary of the Company, as the purchaser and Brilliant Circle Holdings International Limited as the vendor in relation to the sale and purchase of the entire issued share capital of Empire Sail Limited and the sale loans of Empire Sail Limited and its subsidiary (the "**Acquisition**") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such documents, instruments and agreements and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Agreement and the Acquisition and other transactions contemplated thereunder and to agree to such variations of the terms of all the transactions contemplated under the Agreement as he/she may in his/her absolute discretion consider necessary or desirable."

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

Hong Kong, 15 March 2018

Registered office:	*Head office and principal place of business in Hong Kong:*
Clarendon House	Block A, 7th Floor
2 Church Street	Hong Kong Spinners Building, Phase 6
Hamilton HM11	481-483 Castle Peak Road
Bermuda	Cheung Sha Wan
	Kowloon
	Hong Kong

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.

3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting.

5. The register of members of the Company will be closed from Friday, 6 April 2018 to Wednesday, 11 April 2018 (both dates inclusive), during such period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 4 April 2018.

6. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened and in such event, the form of proxy will be deemed to be revoked.

7. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.