

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Casablanca Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**Casablanca Group Limited**

**卡撒天嬌集團有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 2223)**

**MAJOR TRANSACTION**  
**CONSTRUCTION AGREEMENT FOR PHASE II OF**  
**CASABLANCA INDUSTRIAL PARK IN HUIZHOU**

---

Unless the context otherwise requires, all capitalised terms used in this circular shall have the same meanings as set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 3 to 8 of this circular.

The Construction Agreement and the Transaction have been approved by written Shareholder’s approval obtained from World Empire, the controlling Shareholder of the Company, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

15 December 2020

---

# CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b>	
1. INTRODUCTION .....	3
2. CONSTRUCTION AGREEMENT .....	4
3. INFORMATION ON THE PARTIES .....	6
4. REASONS FOR AND BENEFITS OF THE CONSTRUCTION .....	6
5. FINANCIAL EFFECTS OF THE CONSTRUCTION ON THE GROUP .....	7
6. LISTING RULES IMPLICATIONS .....	7
7. RECOMMENDATION .....	8
8. ADDITIONAL INFORMATION .....	8
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	9
<b>APPENDIX II – GENERAL INFORMATION</b> .....	12

---

## DEFINITIONS

---

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

“Board”	the board of Directors
“Casablanca Huizhou”	卡撒天嬌家居(惠州)有限公司 (Casablanca Home (Huizhou) Co., Ltd.*), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Casablanca Industrial Park”	the land owned by Casablanca Huizhou located at Dongjiang Hi-Tech Industrial Zone, Zhong Kai Hi-Tech District, Huizhou, Guangdong Province, PRC* (中國廣東省惠州市仲愷高新區東江高新科技產業園)
“Casablanca International”	Casablanca International Limited, a limited liability company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company
“Company”	Casablanca Group Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meanings as ascribed to it under the Listing Rules
“Construction”	the construction of the factory building B under phase II of Casablanca Industrial Park under the Construction Agreement
“Construction Agreement”	the construction agreement dated 30 October 2020 and entered into between Casablanca Huizhou and Huizhou Dongjiang in relation to the Construction
“Director(s)”	the director(s) of the Company
“Huizhou Dongjiang”	惠州市東江建築安裝工程有限公司 (Huizhou Dongjiang Construction and Installation Engineering Co., Ltd.*), a company established in the PRC with limited liability
“Huizhou Jianxun”	惠州市建迅工程造價諮詢有限公司 (Huizhou Jianxun Construction Cost Consultative Co., Ltd.*), a company established in the PRC with limited liability providing consulting services for construction projects
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

---

## DEFINITIONS

---

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	means 9 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme, which was approved by the sole shareholder’s resolution passed on 22 October 2012, was adopted by the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Construction Agreement
“World Empire”	World Empire Investment Inc., a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder of the Company as at the Latest Practicable Date

*\* for identification purpose only*

*For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1=HK\$1.16 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at all.*

---

## LETTER FROM THE BOARD

---



**Casablanca Group Limited**

**卡撒天嬌集團有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*  
**(Stock Code: 2223)**

*Executive Directors:*

Mr. Cheng Sze Kin (*Chairman*)  
Mr. Cheng Sze Tsan (*Vice-chairman and  
Chief Executive Officer*)  
Ms. Wong Pik Hung

*Registered Office:*

P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

*Independent Non-executive Directors:*

Mr. Lo Siu Leung  
Dr. Cheung Wah Keung  
Mr. Chow On Wa

*Head Office and Principal Place  
of Business in Hong Kong:*

5/F Yan Hing Centre  
9-13 Wong Chuk Yeung Street  
Fotan  
New Territories  
Hong Kong

15 December 2020

*To the Shareholders*

Dear Sir/Madam,

**MAJOR TRANSACTION  
CONSTRUCTION AGREEMENT FOR PHASE II OF  
CASABLANCA INDUSTRIAL PARK IN HUIZHOU**

**1. INTRODUCTION**

The Company announced on 30 October 2020 that Casablanca Huizhou entered into the Construction Agreement with Huizhou Dongjiang, pursuant to which Casablanca Huizhou conditionally agreed to engage Huizhou Dongjiang for the provision of, and Huizhou Dongjiang conditionally agreed to provide to Casablanca Huizhou, construction services for the Construction of the phase II of the Casablanca Industrial Park for a total consideration of RMB46,012,424 (equivalent to approximately HK\$53,374,000).

---

## LETTER FROM THE BOARD

---

As one or more of the applicable percentage ratios in respect of the Transaction is more than 25% but all are less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of the Construction Agreement, World Empire, being the controlling Shareholder of the Company holding 150,000,000 Shares, representing approximately 58.2% of the total number of issued Shares of the Company, has given a written Shareholder's approval with respect to the Construction Agreement and the Transaction. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with (i) information on the Construction; (ii) financial information of the Group; and (iii) other information as required under the Listing Rules.

### 2. CONSTRUCTION AGREEMENT

A summary of the principal terms of the Construction Agreement is set out as follows:

Date:	30 October 2020
Parties:	(i) Casablanca Huizhou (ii) Huizhou Dongjiang, as the contractor
Subject matter:	Casablanca Huizhou conditionally agreed to engage Huizhou Dongjiang for the provision of, and Huizhou Dongjiang conditionally agreed to provide to Casablanca Huizhou, construction services (including, among other things, civil engineering for laying the foundation and constructing the main structure with four floors and the installation of electricity, water and fire protection systems) for the new factory building B which is adjacent to the current factory building A within the Casablanca Industrial Park.
Terms of Construction:	The Construction is expected to commence on 18 December 2020 (subject to the construction permit to be issued by the relevant government authorities) and complete within 365 days after the commencement date of the Construction (subject to the satisfaction of the relevant governmental authorities and Casablanca Huizhou).
Condition precedent:	The Construction Agreement and the Transactions have been approved in writing by the controlling Shareholder of the Company holding 150,000,000 Shares, representing approximately 58.2% of the total number of issued Shares of the Company, and are not subject to any condition precedent.

---

## LETTER FROM THE BOARD

---

- Consideration and payment terms:      The total consideration for the Construction shall be RMB46,012,424 (equivalent to approximately HK\$53,374,000) and shall be payable in cash by Casablanca Huizhou to Huizhou Dongjiang as follows:
- (i) an amount of RMB4,601,242 (equivalent to approximately HK\$5,337,400), being 10% of the total consideration, has been pre-paid before the commencement of Construction as expected on 18 December 2020;
  - (ii) up to 85% (taking into account the amount already paid under (i) above) of the total consideration to be paid each month in proportion to the progress of the Construction, and such progress of Construction shall be as reported by Huizhou Dongjiang and approved by Casablanca Huizhou;
  - (iii) up to 95% (taking into account the amounts already paid under (i) and (ii) above) of the total consideration shall be paid within 14 business days after the Construction is completed to the satisfaction of the relevant governmental authorities and Casablanca Huizhou; and
  - (iv) the remaining 5% of the total consideration shall be paid within 7 business days after a period of 2 years from the completion of the Construction to the satisfaction of the relevant governmental authorities and Casablanca Huizhou.

The consideration for the Construction was determined through a tendering process and with reference to the project cost budget prepared by Huizhou Jianxun, a construction consultant engaged by the Group, based on the architectural design of the Construction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Huizhou Jianxun and its ultimate beneficial owners are third parties independent of (i) the Company and its connected persons; and (ii) Huizhou Dongjiang.

The consideration for the Construction will be financed by internal resources of the Group and any other means as the Group considers appropriate.

---

## LETTER FROM THE BOARD

---

### 3. INFORMATION ON THE PARTIES

The Company is an investment holding company and the Group primarily engages in designing, manufacturing, distribution and retailing of bedding products with a focus on the high-end and premium markets under its proprietary “Casa Calvin”, “Casablanca” and “CASA-V” brands.

Casablanca Huizhou’s principal business is manufacturing of bedding products for the Group.

Huizhou Dongjiang’s principal business is building construction. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Huizhou Dongjiang and its ultimate beneficial owners (including all its employees collectively through 惠州市東江建築安裝工程有限公司工會委員會 (the Trade Union Committee of Huizhou Dongjiang Construction and Installation Engineering Co., Ltd.\*), Mr. 陳寶志 (Chen Baozhi\*), Mr. 賴方策 (Lai Fangce\*), Mr. 葉衛星 (Ye Weixing\*) and Mr. 書植彬 (Shu Zhibin\*) owned its registered capital as to 39.99%, 15.00%, 15.00%, 15.00% and 15.00% respectively) are third parties independent of the Company and its connected persons. The Trade Union Committee of Huizhou Dongjiang Construction and Installation Engineering Co., Ltd., of which Mr. Lai Fangce acts as the legal representative, is the trade union of Huizhou Dongjiang registered as a legal entity to represent all employees of Huizhou Dongjiang and act for their benefits. Mr. Chen Baozhi, Mr. Lai Fangce and Mr. Ye Weixing are the directors of Huizhou Dongjiang and have many years of construction project management experiences in the PRC. Mr. Chen Baozhi also acts as the chairman, the general manager and the legal representative of Huizhou Dongjiang.

### 4. REASONS FOR AND BENEFITS OF THE CONSTRUCTION

Phase I of the Casablanca Industrial Park was completed in and has been used since mid-2013. The current factory building A under phase I is with two floors and a total construction area of 31,248.3 square metres for the purposes of production and warehouse. The Group regularly reviews the condition and capacity of its production and related facilities as part of its business development planning exercise in order to determine whether new production and related facilities may be required from time to time. The new factory building B under phase II is expected to be a complex with four floors and a total construction area of 23,294.4 square metres comprising production facilities, research and development centre, office, showroom, training rooms and conference rooms. The expansion will enhance the Group’s production and other capacities through the addition of production facilities, especially for research and development, for new products and provide additional space for office, showroom, training rooms and conference rooms; and thus is expected to benefit the operations and development of the Group.

The Directors consider that the consideration for the Construction and the terms of the Construction Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.



---

## LETTER FROM THE BOARD

---

### 5. FINANCIAL EFFECTS OF THE CONSTRUCTION ON THE GROUP

The consideration for the Construction has been and will be financed by internal resources of the Group and any other means as the Group consider appropriate. The Group does not expect the Construction to have any adverse material impact on its healthy financial position with a satisfactory level of net cash kept on hand.

The Construction is expected, as compared to the situation before the Construction, to (1) increase the Group's total assets and total liabilities before settlement of progress payments; and (2) not to have significant impact on the Group's total assets and total liabilities after settlement of the progress payments. The progress payments and unsettled progress payments, if any, will be recognised as construction in progress and other payables in the Group's consolidated financial statements according to the Construction progress. No depreciation is expected to be made on construction in progress until such time as the Construction is completed and ready for intended use. The Construction is not expected to have immediate benefits to the Group's earnings at the time of its completion. However, the Company believes that the Construction would lead to increase in the Group's earnings in the long run.

### 6. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction is more than 25% but all are less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting of the Company if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Agreement and the Transaction; and (ii) a written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting of the Company to approve the Construction Agreement and the Transaction.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Construction Agreement and the Transaction. Since no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Construction Agreement and the Transaction, a written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

As at the date of the Construction Agreement, World Empire, being the controlling Shareholder of the Company holding 150,000,000 Shares, representing approximately 58.2% of the total number of issued Shares of the Company, has given a written Shareholder's approval with respect to the Construction Agreement and the Transaction. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

---

## LETTER FROM THE BOARD

---

### 7. RECOMMENDATION

The Directors consider that the consideration for the Construction and the terms of the Construction Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If the Company were to convene a general meeting for the approval of the Construction Agreement and the Transaction, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Construction Agreement and the Transaction at such general meeting.

### 8. ADDITIONAL INFORMATION

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

Yours faithfully,  
On behalf of the Board  
**Casablanca Group Limited**  
**Cheng Sze Kin**  
*Chairman*

## 1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 is disclosed in the Company's annual reports for the years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020, respectively. The said annual reports and interim report of the Company are available on the Company's website at [www.casablanca.com.hk](http://www.casablanca.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Web links to the annual reports and interim report of the Company are set out below:

Annual report of the Company for the year ended 31 December 2017 (pages 53 to 116):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn201804251156.pdf>

Annual report of the Company for the year ended 31 December 2018 (pages 53 to 124):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423570.pdf>

Annual report of the Company for the year ended 31 December 2019 (pages 53 to 124):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000413.pdf>

Interim report of the Company for the six months ended 30 June 2020 (pages 19 to 39):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0910/2020091000734.pdf>

## 2. INDEBTEDNESS

As at 31 October 2020, being the latest practicable date for purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

	<b>As at 31 October 2020</b> <i>HK\$'000</i>
Bank loan	3,089
Lease liabilities	17,836
	<hr/>
<b>Total indebtedness</b>	<b>20,925</b>
	<hr/> <hr/>

The bank loan as disclosed above was unsecured, but guaranteed by the Company and a fellow subsidiary of the Group. Other than the bank loan, other indebtedness of the Group was unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra group liabilities and normal trade and other payables in the normal course of business, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, or any material outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, finance lease or hire purchase commitments, guarantees or other material contingent liabilities as at 31 October 2020.

### **3. WORKING CAPITAL**

Taking into account the expected cash flow impact upon settlement of the consideration under the Construction Agreement and the financial resources available to the Group, including internal funds and available facilities, the Directors, after due and careful consideration, are of the opinion that the Group will have sufficient working capital for its present requirements for at least next twelve months from the Latest Practicable Date in the absence of unforeseen circumstances.

### **4. MATERIAL ADVERSE CHANGE**

References are made to the profit warning announcements of the Company dated 29 June 2020, 30 June 2020, 11 August 2020 and the interim report for six months ended 30 June 2020 and the profit warning announcement of the Company dated 30 November 2020 for the year ending 31 December 2020, the Group is anticipated to record decreases in sales of the Group by roughly around 20% and profit attributable to the Shareholders by roughly around 40% for the year ending 31 December 2020 as compared to those for the corresponding period in 2019. The reasons for decreases in Group's profit, as compared to the corresponding period last year, are mainly due to (a) the decline of sales, which, in turn, was attributable to: (i) the COVID-19 outbreak in Hong Kong and the PRC since early 2020, imposing adverse impacts on the self-operated retail sales business, and (ii) the decline of wholesale business, despite the significant increase in e-sales resulted from the notable change in shopping habits of consumers, especially for those in Hong Kong, to e-commerce channels, and (b) increased provisions for impairment losses on right-of-use assets, inventories and trade and other receivables.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Company were made up.

### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group primarily engages in designing, manufacturing, distribution and retailing of bedding products with a focus on the high-end and premium markets under its proprietary "Casa Calvin", "Casablanca" and "CASA-V" brands. With a high reputation of its quality bedding products with fashionable design and innovative health technologies, the Group is one of the leading branded bedding products companies in the PRC and Hong Kong.

In view of the deteriorating environmental pollution in recent years and the current COVID-19 outbreak, the Group has focused on promoting its products under the "CASA-V" brand with 5A features of anti-bacteria, anti-mites, anti-mould, anti-odour and air purification. Furthermore, the Group is committed to providing quality products and attentive services, and has continued its research and development of products with green concepts and pioneer technologies for health enhancing functions.

Owing to operational difficulties for traditional retail business at physical retail stores in the PRC, the Group has closed 10 self-operated point-of-sales (the “POS”) in the PRC from July to October 2020 and will further close 6 self-operated POS in the PRC during November to December 2020, which have been suffering losses or generating unsatisfactory profits in order to increase the efficiency of resources allocation. Shopping habits of consumers, especially for those in Hong Kong, notably turned to e-commerce channels. The Group had taken the benefit of adjusting its development in response to the market change with e-sales significantly increased during 2020. E-sales on online channels will be the Group’s expansion focus in the future in addition to commercial sales and exports with a view to overcome the impacts brought by the expected contraction of physical retail business on the Group’s revenue, at least for the second half of 2020.

As disclosed in the profit warning announcement of the Company dated 30 November 2020 for the year ending 31 December 2020, the Company observed a trend of increase in the Group’s retail sales in Hong Kong from April to October 2020 as compared to January to March 2020. However, the number of infected COVID-19 cases in Hong Kong has rapidly rebounded since mid-November 2020. The ongoing effect of COVID-19 during 2020 resulting in sluggish economy has adverse impacts on the Group’s operations in Hong Kong as well as the PRC for 2020. The Group expects to record decreases in sales of the Group by roughly around 20% and profit attributable to the Shareholders by roughly around 40% for the year ending 31 December 2020 as compared to those for the corresponding period in 2019.

The Construction is expected to complete within 365 days after the commencement of Construction. The new factory building B under the Construction will be a complex with four floors and a total construction area of 23,294.4 square metres, which is expected to enhance the production facilities of the Group especially in the context of an addition of a research and development centre for new products and provide additional space for office, showroom, training rooms and conference rooms to benefit the operations and development of the Group in the future.

## 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 is 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' and chief executive's interests

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive and their associates in the Shares, underlying Shares and debentures and Share options of the Company and its associated corporations, 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 he/she was taken or deemed to have under such provisions of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

#### *Long positions*

##### (i) Shares

Name of Director	Nature of interest	Number of Shares held/ interested	Percentage of the issued share capital of the Company <i>(Note 4)</i>
Mr. Cheng Sze Kin	Beneficial interest	4,500,000	1.7%
	Spouse interest	3,375,000	1.3%
	Interest in a controlled corporation <i>(Note 1)</i>	150,000,000	58.2%
Mr. Cheng Sze Tsan	Beneficial interest	4,125,000	1.6%
	Interest in a controlled corporation <i>(Note 2)</i>	150,000,000	58.2%
Ms. Wong Pik Hung	Beneficial interest	3,375,000	1.3%
	Spouse interest <i>(Note 3)</i>	154,500,000	59.9%

## (ii) Share options

Name of Director	Nature of interest	Number of options held	Number of underlying Shares interested
Mr. Cheng Sze Kin	Beneficial interest ( <i>Note 1</i> )	2,800,000	2,800,000
	Spouse interest ( <i>Note 1</i> )	2,800,000	2,800,000
Mr. Cheng Sze Tsan	Beneficial interest ( <i>Note 2</i> )	2,800,000	2,800,000
Ms. Wong Pik Hung	Beneficial interest ( <i>Note 3</i> )	2,800,000	2,800,000
	Spouse interest ( <i>Note 3</i> )	2,800,000	2,800,000
Mr. Lo Siu Leung	Beneficial interest	500,000	500,000
Dr. Cheung Wah Keung	Beneficial interest	500,000	500,000
Mr. Chow On Wa	Beneficial interest	500,000	500,000

*Notes:*

- (1) Mr. Cheng Sze Kin is interested in 40% of the equity interest in World Empire, a holder of 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Mr. Cheng Sze Kin is also the beneficial owner of 4,500,000 Shares, representing 1.7% of the Company's issued share capital, and holds options granted under the Share Option Scheme to subscribe for 2,800,000 Shares. Mr. Cheng Sze Kin is deemed to be interested in the 3,375,000 Shares held by Ms. Wong Pik Hung (his spouse) representing 1.3% of the Company's issued share capital; and the options granted to his spouse, Ms. Wong Pik Hung, under the Share Option Scheme to subscribe for 2,800,000 Shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.
- (2) Mr. Cheng Sze Tsan is interested in 35% of the equity interest in World Empire, a holder of 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Mr. Cheng Sze Tsan is also the beneficial owner of 4,125,000 Shares, representing 1.6% of the Company's issued share capital, and holds options granted under the Share Option Scheme to subscribe for 2,800,000 Shares. However, Mr. Cheng Sze Tsan has confirmed that he will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

- (3) Ms. Wong Pik Hung is the spouse of Mr. Cheng Sze Kin and is interested in 25% of the equity interest in World Empire, thus, Ms. Wong Pik Hung is deemed to be interested in 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Ms. Wong Pik Hung holds 3,375,000 Shares, representing 1.3% of the Company's issued share capital, and options granted under the Share Option Scheme to subscribe for 2,800,000 Shares. Ms. Wong Pik Hung is deemed to be interested in the 4,500,000 Shares held by Mr. Cheng Sze Kin (her spouse) representing 1.7% of the Company's issued share capital; and the options granted to her spouse, Mr. Cheng Sze Kin, under the Share Option Scheme to subscribe for 2,800,000 Shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.
- (4) The percentage is calculated on the basis of 257,854,000 Shares in issue at the Latest Practicable Date.

Save as disclosed above, none of the Directors, chief executive and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date which were: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/ she was taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (c) pursuant to the Model Code, notified to the Company and the Stock Exchange.

**(b) Directors' other interests**

A subsidiary of the Group in Hong Kong has entered into lease agreements with Gain Harvest Investment Limited ("Gain Harvest") and Wealth Pine Asia Limited ("Wealth Pine") which are wholly-owned by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung, at annual rental of HK\$2,220,000 for lease terms of 3 years from 1 January 2018 to until 31 December 2020. The monthly rentals paid to Gain Harvest and Wealth Pine were for use of the leased properties by our Directors as staff quarters in Hong Kong. The rentals were determined by the parties through arm's length negotiations by reference to the market rate for similar premises in the vicinity of each premise.

The Directors are of the opinion that the above transactions are conducted in the ordinary course of business of the Group and the annual cap was HK\$2,220,000 of which the requirements of Chapter 14A of the Listing Rules are fully exempted in accordance with Rule 14A.76 of Listing Rules when all percentage ratios (other than the profits ratio) are less than 5% and the total consideration is less than HK\$3,000,000.

Save as disclosed above, as at the Latest Practicable Date:

- (i) none of the Directors or proposed directors had any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group;



- (ii) none of the Directors or proposed directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group; and
- (iii) none of the Directors, proposed directors or any of their respective close associates had any interest in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

**(c) Substantial Shareholders**

As at the Latest Practicable Date, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO and the disclosure made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executive, the following Shareholder had notified the Company of relevant interests and underlying Shares in the issued share capital of the Company:

***Long positions in Shares***

Name of Shareholder	Capacity	Number of Shares held	Percentage of the issued share capital of the Company <i>(Note 2)</i>
World Empire <i>(Note 1)</i>	Beneficial owner	150,000,000	58.2%

*Notes:*

- (1) World Empire is a company incorporated in the British Virgin Islands, the issued share capital of which is owned as to 40%, 35% and 25% by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung, respectively. Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung are also directors of World Empire.
- (2) The percentage is calculated on the basis of 257,854,000 Shares in issue at the Latest Practicable Date.

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

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**4. LITIGATION**

As disclosed in the annual report for the year ended 31 December 2019, the Company and two of its subsidiaries in Hong Kong are defendants in a litigation involving an alleged copyright infringement in Hong Kong. Based on legal advice, it is difficult in the usual course of such litigation to predict the exposure to the Group at this early stage pending for closure of discovery.

Based on legal advice on preliminary assessment, the exposure in the event of failure to defend the case is estimated not to be material to the Group, assuming that there is no damage for loss of goodwill caused to the plaintiff or its brand names. The Directors are of the opinion that the alleged claim would not bring any material adverse effect to the business operation and financial position of the Group.

Save as disclosed above, as at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**5. MATERIAL CONTRACTS**

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) a provisional sale and purchase agreement dated 3 June 2019, a formal sale and purchase agreement dated 17 June 2019 and an assignment dated 31 July 2019 entered into between Casablanca International (as purchaser) and Grand Rise International Development Limited (as vendor) in respect of an acquisition of property in Hong Kong at a total consideration of HK\$12,168,000; and
- (b) the Construction Agreement.

**6. GENERAL**

- (a) The company secretary of the Company is Mr. Ho Yiu Leung who is a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.
- (b) The registered office of the Company is situated at P.O. Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands.
- (c) The headquarters and principal place of business of the Company in Hong Kong is situated at 5/F Yan Hing Centre, 9-13 Wong Chuk Yeung Street, Fotan, New Territories, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Maples Fund Services (Cayman) Limited of P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited of Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text to the extent of any inconsistency.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the place of business of the Company in Hong Kong at 5/F Yan Hing Centre, 9-13 Wong Chuk Yeung Street, Fotan, New Territories, Hong Kong during normal business hours for a period of 14 days commencing from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for each of the two financial years ended 31 December 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the Letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (e) copy of the material contracts referred to in the section headed "Material Contracts" in this appendix; and
- (f) this circular.