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

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**If you have sold or transferred** all your shares in **CHINA INTERNATIONAL DEVELOPMENT CORPORATION LIMITED**, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



**China International Development Corporation Limited**

**中聯發展控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 264)**

**MAJOR TRANSACTION IN RELATION TO THE  
TENANCY AGREEMENT**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 3 to 9 of this circular.

The transaction being the subject matter of this circular has been approved by written Shareholder’s approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

References to time and dates in this circular are to Hong Kong time and dates.

21 May 2021

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 15 March 2021 in relation to the Tenancy Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	China International Development Corporation Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 264)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Dongguan Sze Cheik” or the “Lessee”	Dongguan Sze Cheik Leather Goods Company Limited (東莞思捷皮具有限公司), a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Report Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected person(s)
“Latest Practicable Date”	17 May 2021, being the latest practical date prior to the publication of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Lessor”	Dongguan Haocheng Industrial Investment Company Limited* (東莞市皓程實業投資有限公司), a company established under the PRC laws with limited liability and an Independent Third Parties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Premises”	one four-storey factory building and one six-storey dormitory building located at No. 2 Minyi Road, Wusha Community, Changan Town, Dongguan City, PRC* (東莞市長安鎮烏沙社區民一路2號)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance
“Shareholders”	holder(s) of the issued Share(s)
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement together with the supplemental agreement dated 6 January 2021 entered into between the Lessor (as lessor) and Dongguan Sze Cheik (as lessee) in respect of the lease of the Premises
“%”	per cent

*For illustrative purpose only, conversion of RMB into HK\$ in this circular is made at the following exchange rate: RMB1.00 = HK\$1.2.*

\* For identification purpose only.

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**LETTER FROM THE BOARD**

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**China International Development Corporation Limited**  
**中聯發展控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 264)**

*Executive Directors:*

Mr. Zhao Jingfei (*Chairman*)  
Mr. Fan Xin (*Chief Executive Officer*)  
Mr. Qin Bohan

*Independent Non-executive Directors:*

Ms. Han Yu  
Ms. Jia Lixin  
Mr. Rong Yi

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

Level 26, 39 Queen's Road Central  
Central, Hong Kong

21 May 2021

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO THE  
TENANCY AGREEMENT**

**I. INTRODUCTION**

Reference is made to the Announcement dated 15 March 2021 in relation to the Tenancy Agreement.

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## LETTER FROM THE BOARD

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On 6 January 2021, Dongguan Haocheng Industrial Investment Company Limited\* (東莞市皓程實業投資有限公司) (as lessor) and Dongguan Sze Cheik Leather Goods Company Limited (東莞思捷皮具有限公司), an indirect wholly-owned subsidiary of the Company (as lessee) entered into the Tenancy Agreement in respect of the lease of the Premises for the period from 1 January 2021 to 31 December 2025 (both days inclusive).

The purpose of this circular is to provide you with, among other things, further information on the transactions contemplated under the Tenancy Agreement and other information as required to be contained in this circular under the Listing Rules.

### II. THE TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are as follows:

**Date:** 6 January 2021

**Parties:** (1) Dongguan Haocheng Industrial Investment Company Limited\* (東莞市皓程實業投資有限公司) as lessor; and  
(2) Dongguan Sze Cheik Leather Goods Company Limited (東莞思捷皮具有限公司), an indirect wholly subsidiary of the Company as lessee.

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

**Premises:** One four-storey factory building and one six-storey dormitory building located at No. 2 Minyi Road, Wusha Community, Changan Town, Dongguan City, PRC\* (東莞市長安鎮烏沙社區民一路2號)

**Term:** Five years commencing from 1 January 2021 to 31 December 2025 (both dates inclusive)

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## LETTER FROM THE BOARD

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**Rent:** The total rent payable under the Tenancy Agreement is RMB12,584,000 (equivalent to approximately HK\$15,100,800), exclusive of service fee, taxes and utility charges. The Lessee shall enjoy a rent-free renovation period for two months from 1 January 2021 to 28 February 2021. The monthly rent is as follows:

- (a) From 1 March 2021 to 31 December 2022: RMB200,000 (equivalent to approximately HK\$240,000)
- (b) From 1 January 2023 to 31 December 2024: RMB220,000 (equivalent to approximately HK\$264,000)
- (c) From 1 January 2025 to 31 December 2025: RMB242,000 (equivalent to approximately HK\$290,400)

The rent is payable in advance by the 5th day of each and every calendar month, which will be funded by internal resources of the Group. Any overdue payment will be subject to a daily penalty fee of 0.1% of the overdue amount.

The rent was determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the Premises.

**Rental deposit:** RMB600,000 (equivalent to approximately HK\$720,000). The rental deposit was paid on 8 January 2021, which is refundable and will be released to the Lessee upon the expiry of the term of the Tenancy Agreement in accordance with the relevant terms of the Tenancy Agreement.

**Use of Premises:** For production operation. The Group intends to use the Premises as production factory and staff dormitory.

### III. FINANCIAL EFFECTS ON ENTERING INTO THE TENANCY AGREEMENT

The unaudited value of the right-of-use asset recognised by the Company under the Tenancy Agreement amounted to approximately RMB9,691,164 (equivalent to approximately HK\$11,629,396) which is calculated with reference to the aggregate lease payment and discounted by a discounted rate. Incremental borrowing rate of 10.37%, which is estimated based on credit analysis and comparable bonds with similar credit quality and similar maturity matching

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## LETTER FROM THE BOARD

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the lease' duration, is applied to compute the above right-of-use asset amount recognised by the Company. The following information has been taken into account in order to calculate the incremental borrowing rate: (i) the China Sovereign Zero Coupon Yields; (ii) the credit rating of the lessees; (iii) a credit spread, which is the average of the spread measures, as extracted from similar credit rating and maturity to the target subjects; and (iv) a liquidity spread as suggested by the paper "Corporate Bond Liquidity and Its Effect on Bond Yield Spreads" by Long Chen, David Lesmond and Jason Wei.

The China Sovereign Zero Coupon Yields	2.81%
Option Adjusted Spread	5.32%
Liquidity Spread	<u>2.24%</u>
 Incremental Borrowing Rate	 <u><u>10.37%</u></u>

The consolidated total assets of the Group would increase by approximately RMB9,691,164 (equivalent to approximately HK\$11,629,396) upon the commencement of the lease term under the Tenancy Agreement, and a corresponding amount of lease liabilities of approximately RMB9,691,164 (equivalent to approximately HK\$11,629,396) would be recognised at the same time.

The right-of-use asset will be depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Interest expenses on the lease liabilities will be recognised at the rate of 10.37% per annum. After the commencement date of the lease, the lease liabilities are adjusted by interest accretion and lease payments.

#### IV. INFORMATION ON THE PARTIES

The Lessee was established under the PRC laws with limited liability and is an indirect wholly-owned subsidiary of the Company. The Lessee principally engages in manufacturing and trading of leather products.

The Lessor was established under the PRC laws with limited liability and is principally engaged in innovative technology and business management. As at the Latest Practicable Date and according to the public search records, the Lessor was held by Wang Yuping (王玉平), an Independent Third Party.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owner are independent of the Company and its connected persons.

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## LETTER FROM THE BOARD

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### V. REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT

The principal activities of the Group are manufacturing and distribution of leather products, and retail of fashion apparel, footwear and leather accessories. The Premises not only provides a factory for production, but also a dormitory building convenient to the Group's employees. Besides, the previous factory the Group was using is old while the Premises is new with the Group's tailored renovation, which renders a larger production capacity and such would be favourable for the Group's operation needs and facilitate the future expansion and growth of the businesses.

The Tenancy Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the Premises. The selection criteria of comparable premises include location, floor area and usage. The Group consulted an independent valuer who advised that the monthly rent of the comparable premises ranged from RMB15 to RMB23 per square metre and the monthly rent of the Premises is approximately RMB21 per square metre. Therefore, the Board considers that the terms of the Tenancy Agreement were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### VI. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the entering into of the Tenancy Agreement by Dongguan Sze Cheik as a lessee will require the Group to recognise the right-of-use asset in its consolidated financial statements of financial position. Therefore, the entering into of the Tenancy Agreement will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. The unaudited value of the right-of-use asset recognised by the Company under the Tenancy Agreement amounted to approximately RMB9,691,164 (equivalent to approximately HK\$11,629,396).

As the applicable percentage ratio(s) in respect of the acquisition of right-of-use assets recognised by the Group pursuant to HKFRS 16 under the Tenancy Agreement is 25% or more but is less than 100%, the entering into of the Tenancy Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Tenancy Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. On the date of the Announcement, the

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## LETTER FROM THE BOARD

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Company obtained written Shareholders' approval for the Tenancy Agreement and the transactions contemplated thereunder from Waterfront Holding Group Co., Ltd., which holds 287,024,406 Shares, representing approximately 75% of the total issued Shares. Accordingly, the Tenancy Agreement and the transactions contemplated thereunder have been approved by way of written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company.

### **VII. FAILURE TO IDENTIFY MAJOR TRANSACTION AND REMEDIAL ACTIONS**

The Group did not announce the details of the Tenancy Agreement and the transactions contemplated thereunder as a major transaction in a timely manner and obtained Shareholders' approval in advance as required by Rules 14.34 and 14.40 of the Listing Rules due to inadvertent oversight of the implementation of HKFRS 16 in relation to leases. The relevant staff member responsible for the PRC operation of the Group was not aware of that pursuant to HKFRS 16, the entering into of the Tenancy Agreement by Dongguan Sze Cheik as a lessee will require the Group to recognise the Premises as a right-of-use asset and such will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules, which shall be subject to percentage ratios (as defined in Rule 14.04(9)) and disclosure requirements under Chapter 14 of the Listing Rules. Therefore, that such PRC staff member did not draw the finance team's attention to conduct the size test before the execution of the Tenancy Agreement. The entering into of the Tenancy Agreement was then identified as a major transaction during annual audit of the Group in March 2021. The Company has accordingly circulated an internal reminder to the management and the relevant staff members of the Group to report any transactions which may have Listing Rules implications to the finance department and the Board to assess the applicable compliance requirements before entering into any such transactions.

To ensure the Company's compliance with the Listing Rules in the future, the Company will take the following remedial measures:

- (i) the finance department and company secretarial department of the Company should continue to oversee and monitor the Company's ongoing compliance with the Listing Rules;
- (ii) the Company should conduct an internal training session to explain the relevant Listing Rules' requirements and the reporting procedures for notifiable transactions under the Listing Rules, and to emphasise the importance of identifying such transactions prior to execution;

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## LETTER FROM THE BOARD

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- (iii) the Company should, as and when appropriate and necessary, seek its external legal or other professional advice as to any action required to be taken in relation to any proposed transactions or events in the future; and
- (iv) the Company should strengthen its communication with its subsidiaries and emphasise the importance of ensuring the Company's compliance with the Listing Rules.

### VIII. FURTHER INFORMATION

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

### IX. RECOMMENDATION

The Directors considered that the terms of the Tenancy Agreement were on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Although a general meeting will not be convened by the Company to approve the Tenancy Agreement and the transaction contemplated therein, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolutions to approve, confirm and ratify the Tenancy Agreement and the transaction contemplated thereunder.

Yours faithfully,

By order of the Board

**China International Development Corporation Limited**

**Zhao Jingfei**

*Chairman and Executive Director*

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the years ended 31 December 2018, 2019 and 2020 are disclosed in the following annual reports of the Company for the years ended 31 December 2018, 2019 and 2020, respectively, which have been published and are available on the websites of the Stock Exchange and the Company. Please refer to the hyperlinks as stated below:

- the annual report of the Company for the year ended 31 December 2018 published on 26 April 2019 (pages 54 to 113)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/lt20190426137.pdf>)
- the annual report of the Company for the year ended 31 December 2019 published on 15 May 2020 (pages 38 to 94)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051500709.pdf>)
- the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (pages 66 to 135)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901305.pdf>)

## 2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2021, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group are as follows:

### **Borrowings**

#### *Loans from ultimate controlling shareholder*

As at 31 March 2021, the Group had loans from ultimate controlling shareholder with an aggregate carrying amount of approximately HK\$5,282,000, which are unsecured and interest-free. Details of the loans from ultimate controlling shareholder are as follows:

	<b>Principal amount</b>	<b>Carrying amount</b>	<b>Repayment date</b>
Loan 1	RMB3,000,000	HK\$3,312,000	30 June 2022
Loan 2	HK\$1,000,000	HK\$1,000,000	12 January 2022
Loan 3	RMB1,000,000	HK\$970,000	15 March 2023

***Loans from a director***

As at 31 March 2021, the Group had loans from a director with an aggregate carrying amount of approximately HK\$38,041,000, which are unsecured and interest-free. Details of the loans from a director are as follows:

	<b>Principal amount</b>	<b>Carrying amount</b>	<b>Repayment date</b>
Loan 1	HK\$8,000,000	HK\$8,000,000	On demand
Loan 2	RMB30,000,000	HK\$30,041,000	26 March 2023

***Amounts due to a director, a related company, former fellow subsidiaries and a former intermediate holding company***

As at 31 March 2021, the Group had outstanding amounts due to a director, a related company, former fellow subsidiaries and a former intermediate holding company in aggregate of approximately HK\$14,869,000, which are unsecured, interest-free and repayable on demand.

**Lease liabilities**

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. As at 31 March 2021, the Group had outstanding lease liabilities (including both current and non-current portions) of approximately HK\$15,962,000.

**Mortgages, charges and pledges**

As at 31 March 2021, save as time deposit at a bank of approximately HK\$430,000 which is pledged to a bank to secure a bank guarantee given in favour of a landlord in lieu of rental deposit, the Group did not have any mortgages, charges and pledges over the Group's assets.

**Contingent liabilities**

The Group had no contingent liabilities as at 31 March 2021.

**Disclaimer**

Saved as disclosed and apart from intra-group liabilities and normal trade and other payables, as at 31 March 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages and charges, hire purchase commitments or guarantee outstanding.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are of the opinion that there are no material adverse changes in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited accounts of the Company have been made up.

**4. WORKING CAPITAL**

The Directors, after due and carefully enquiry, are of the opinion that, after taking into account the effect of the transactions contemplated under the Tenancy Agreement, the Group's internal resources, cash flow from operations, facilities available to the Group, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

**5. FINANCIAL AND TRADING PROSPECTS**

The Group is principally engaged in manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

Due to the outbreak of the novel coronavirus (the "COVID-19") since January 2020, various governments have taken pandemic prevention and control measures which have led to different degrees of restrictions on business activities. COVID-19 created severe challenges to all economies around the world, causing changes in many aspects such as global supply chains, trade practices and industrial layouts, and hence the global economy was adversely affected. The outbreak of the COVID-19 pandemic brought uncertainty to the Group's business, in particular the export of the Group's leather products to the United States and Europe and the retail business of the Group.

In terms of the industry, under the prevailing uncertain international trade environment, orders have been affected due to the ongoing Sino-US trade friction. In addition, due to the weakened market demands for leather products as a result of the outbreak of the COVID-19 pandemic and delay in the resumption of work and production by the downstream enterprises, the leather manufacturing enterprises were confronted with an overall challenging operation environment.

Despite the uncertain outlook, the Group will continue to pay close attention to the situation and react proactively to its impact on the financial position and operating results of the Group. The Group will focus on improving the production efficiency within the factory in order to achieve its optimal production level and reexamine the use of its resources prudently and make every effort to maximize its profit. The Group will continue to, while mitigating economic and external business risks, study the feasibility of related business opportunities of the Group with the expectation of capitalising on China's economic growth in the future.

The business environment of the retail sector in Hong Kong is not optimistic. Travel restrictions and border control were in force, while a series of social-distancing measures were imposed, which greatly impaired the consumer sentiment and stifled customer traffic. The latest statistics from the Census and Statistics Department indicated that the retail sales in Hong Kong further plunged by 13.6% year over year in January 2021, also representing the twelfth consecutive month of decline. The threat of the outbreak of the COVID-19 pandemic has turned the business environment of the retail sector in Hong Kong even more austere.

Despite the challenging retail environment, two new retail stores have commenced operations in the third quarter of 2020 to maintain the exposure of the brand and enhance the shopping experience of customers. The Group will further enhance the brand image by promoting the competitive advantage of its high quality leather products and flexibility in catering the needs of its customers. Meanwhile, the Group will further cooperate with shopping malls to carry out promotion activities and marketing activities of its leather products as well as improving the service quality of its stores by strengthening the human resource management of the retail business segment. On the other hand, the Group will continue to develop its e-commerce channel in order to tap into the fast-growing online market.

Furthermore, as announced on 16 June 2020, the Group has undertaken plans to diversify into the businesses of industrial hemp planting and hemp fabric product production. Hemp fabric is made of fibers from industrial hemp, and is a type of textile which is antibacterial, strong and versatile, and fill in as a characteristic environment adjusting framework that makes it desirable for both summer and winter. The Group has obtained the relevant permit to plant industrial hemp and secured the provision of the industrial hemp seeds of Yunma No. 7\* (雲麻7號) from the Institute of Economic Crops of the Yunnan Academy of Agricultural Science\* (雲南省農業科學院經濟作物研究所), and rented parcels of land in Yunnan for the trial cultivation of industrial hemp during the year ended 31 December 2020.

The Group will concurrently review its business strategic directions and operations with a vision in order to chart its long term corporate strategy and growth and to explore other businesses or investment opportunities with a view to enhance the Group's overall future development and to maximize its shareholders' value.

## 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' and chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be 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 they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

#### *Long position in the Shares*

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Zhao Jingfei <i>(Chairman and executive Director)</i>	Interest of a controlled corporation <i>(Note)</i>	275,024,406	71.86%

*Note:* These Shares are held by Waterfront Holding Group Co., Ltd., which is wholly and beneficially owned by Mr. Zhao Jingfei. By virtue of the SFO, Mr. Zhao Jingfei is deemed to be interested in all the Shares held by Waterfront Holding Group Co., Ltd.

**(b) Interests of substantial Shareholders**

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had or deemed or taken to have an interest or short positions in the Shares, the underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

*Long position in the Shares*

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Waterfront Holding Group Co., Ltd.	Beneficial owner ( <i>Note</i> )	275,024,406	71.86%

*Note:* These Shares are held by Waterfront Holding Group Co., Ltd., which is wholly and beneficially owned by Mr. Zhao Jingfei.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. COMPETING INTERESTS**

So far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP**

As at the Latest Practicable Date,

- (a) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group as a whole.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL CONTRACTS**

The Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

**8. GENERAL**

- (a) The company secretary of the Company is Mr. Chan Tsang Mo, who is a fellow member of The Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The Company's principal place of business in Hong Kong is Level 26, 39 Queen's Road Central, Central, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (d) In the event of any inconsistency, the English texts of this circular shall prevail over its Chinese texts.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Level 26, 39 Queen's Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 December 2018;
- (c) the annual report of the Company for the year ended 31 December 2019;
- (d) the annual report of the Company for the year ended 31 December 2020;
- (e) the Tenancy Agreement; and
- (f) this circular.