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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2223)

**DISCLOSEABLE TRANSACTION
FORMATION OF JOINT VENTURE COMPANY**

FORMATION OF JOINT VENTURE COMPANY

The Board is pleased to announce that on 5 October 2022, Jollirich Investment (an indirect wholly-owned subsidiary of the Company) entered into the JV Agreement with Hunan Ant Star and Hangzhou Dingyuan, pursuant to which the parties agreed to establish the JV Company with a registered capital of RMB15,000,000 (equivalent to approximately HK\$16,545,000). The equity interest in the JV Company will be held as to 51% by Jollirich Investment, 35% by Hunan Ant Star and 14% by Hangzhou Dingyuan, respectively.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the capital contribution of the Group pursuant to the JV Agreement is more than 5% but all are less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but are exempted from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 5 October 2022, Jollirich Investment (an indirect wholly-owned subsidiary of the Company) entered into the JV Agreement with Hunan Ant Star and Hangzhou Dingyuan, pursuant to which the parties agreed to establish the JV Company with a registered capital of RMB15,000,000 (equivalent to approximately HK\$16,545,000). The equity interest in the JV Company will be held as to 51% by Jollirich Investment, 35% by Hunan Ant

Star and 14% by Hangzhou Dingyuan, respectively.

THE JV AGREEMENT

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

Date: 5 October 2022

Parties: (i) Jollirich Investment;
(ii) Hunan Ant Star; and
(iii) Hangzhou Dingyuan

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Hunan Ant Star, Hangzhou Dingyuan and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Subject matter: The JV Company is a sino-foreign equity joint venture company to be established with limited liability in accordance with the laws of the PRC and the provisions of the JV Agreement. The proposed name of the JV Company is 卡撒生活新零售(廣東)有限公司 (Casa Living New Retail (Guangdong) Co., Ltd*) (subject to the final name as approved and registered by the relevant administration for market regulation of the PRC).

Purpose and business: The JV Company will focus on the application of new technologies such as short video clips, livestream and big data to carry out retail business via e-commerce and online platforms for selling bedding and home products of the Group to consumers in the PRC.

Capital contribution: The registered capital of the JV Company will be RMB15,000,000 (equivalent to approximately HK\$16,545,000) and each of the parties commits to contribute in the capital of the JV Company as follows:

	Capital contribution (RMB)	Percentage of equity interest in the JV Company
Jollirich Investment	7,650,000	51%
Hunan Ant Star	5,250,000	35%
Hangzhou Dingyuan	<u>2,100,000</u>	<u>14%</u>
Registered capital	<u>15,000,000</u>	<u>100%</u>

Jollirich Investment and Hangzhou Dingyuan shall make their respective capital contributions to the JV Company in cash not later than 31 October 2022.

Hunan Ant Star shall make its capital contribution to the JV Company in cash in the following manner:

Date not later than	Capital contribution (RMB)
30 September 2023	1,000,000
30 April 2024	2,000,000
30 April 2025	<u>2,250,000</u>
Total	<u>5,250,000</u>

The amounts and dates of capital contribution were determined after arm's length negotiations between the parties with reference to the capital requirements of the JV Company. The capital contribution of RMB7,650,000 (equivalent to approximately HK\$8,438,000) by Jollirich Investment will be funded by internal resources of the Group.

The parties' obligation to make capital contributions to the JV Company is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (a) the JV Agreement having been entered into by each of the parties, the articles of association of the JV Company having been approved by relevant regulatory authorities without variation of its terms or any additional obligations on the JV Company or each of the parties; and
- (b) the relevant administration for market regulation of the PRC having issued the business license of the JV Company without variation of terms of the articles of association; other than changes or adjustments as required by the relevant administration for market regulation of the PRC, the scope of business stated in the business license shall be consistent with that prescribed in the JV Agreement.

The parties agree to provide additional capital to the JV Company in accordance with their respective proportion of equity interest in the JV Company should there be funding needs before 31 December 2025. The Company will comply with any requirements under the Listing Rules (if applicable) and keep the Shareholders and potential investors of the Company informed by way of announcements in relation to the JV Company as and when appropriate.

Management of the JV Company:

The board of directors of the JV Company will comprise five members, including three nominated by Jollirich Investment, one nominated by Hunan Ant Star and one nominated by Hangzhou Dingyuan. The chairman of the board of directors of the JV Company will be a director nominated by Jollirich Investment.

Each director of the JV Company shall have one vote and the resolutions must be passed by a vote of simple majority of the board of directors.

Hunan Ant Star will be responsible for operating the JV Company. A general manager will be nominated by Hunan Ant Star and approved by the board of directors of the JV Company, who will report to the board of directors.

Guaranteed Performance Targets :

Hunan Ant Star guarantees the satisfaction of the turnover targets and after-tax profit targets by the JV Company for each of the three financial years ending 31 December 2023, 2024 and 2025 set out as follows (the “**Performance Targets**”):

Financial year ending 31 December	Turnover (RMB)	Net profit after tax (the “Profit Target(s)”) (RMB)
2023	150,000,000	15,000,000
2024	300,000,000	24,000,000
2025	<u>600,000,000</u>	<u>30,000,000</u>
Total	<u>1,050,000,000</u>	<u>69,000,000</u>

Results of the JV Company for the period from the establishment of the JV Company to 31 December 2022 will be included in the financial year ending 31 December 2023 for evaluation purpose in respect of the Performance Targets.

The evaluation in respect of the satisfaction of the Performance Targets will be based on the audited financial statements of the JV Company for the respective financial years as set out above.

**Performance
incentives:**

- (i) For each of the three financial years ending 31 December 2025, if the audited net profit of the JV Company for any of such financial year exceeds the Profit Target in respect of such financial year (the “**Surplus**”), the operating and management team of the JV Company will be entitled to a bonus equivalent to 60% of the Surplus.
- (ii) The Company will propose plans for the granting of share options under its share option scheme to the operating and management team of the JV Company, who are expected to be employees of the Group, to subscribe no less than a total of 10,000,000 Shares when the Performance Targets are satisfied in the manner set out as follows:

Financial year ending 31 December	Share options to be granted on attaining the Performance Targets
2023	3,000,000
2024	3,000,000
2025	<u>4,000,000</u>
Total	<u>10,000,000</u>

The plans for the granting of share options to the operating and management team of the JV Company as set out above will be subject to the terms of the share option scheme of the Company and the requirements under the Listing Rules, including but not limited to the exercise price(s) of share options and the maximum number of shares options that may be granted to an individual.

- (iii) If all the Performance Targets are satisfied, the Group shall commence relevant procedures (including regulatory procedures as required under the Listing Rules) for the acquisition of 49% of the equity interest in JV Company held by Hunan Ant Star and Hangzhou Dingyuan (the “**Possible Buy-out**”).

The terms and conditions of the Possible Buy-out (including the structure and consideration thereof) are subject to further negotiation between the parties and the formal sales and purchase agreement to be entered into between the parties. The Company will comply with the requirements under the Listing Rules and keep Shareholders and potential investors informed of the Possible Buy-out by making announcements as and when appropriate.

INFORMATION OF THE GROUP AND JOLLIRICH INVESTMENT

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.

Jollirich Investment is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. Its principal business is investment holding.

INFORMATION OF HUNAN ANT STAR

Hunan Ant Star is a company established with limited liability in the PRC with headquarters in Changsha, Hunan Province, the PRC and branch offices in Beijing, Shanghai, Shenzhen, Wuhan, Kunming and Dalian and principally engages in, amongst others, production of short videos and livestream e-commerce with over 2,000 short video accounts and covering accumulated total of over 200 million followers in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. 蔡亮 (Cai Liang*) is the ultimate beneficial owner of Hunan Ant Star. Mr. Cai Liang, 長沙螞蟻視界企業管理諮詢合伙企業(有限合伙) (Changsha Ant Vision Enterprise Management Consulting Partnership (Limited Partnership)*) and 長沙納尼企業諮詢管理合伙企業(有限合伙) (Changsha Na Ni Enterprise Consulting Management Partnership (Limited Partnership)*) hold 65%, 25% and 10% of the equity interest in Hunan Ant Star, respectively. Mr. Cai Liang holds 40% of the equity interest in 長沙螞蟻視界企業管理諮詢合伙企業(有限合伙) (Changsha Ant Vision Enterprise Management Consulting Partnership (Limited Partnership)*) and together with 14 individuals hold 50% of the equity interest in 長沙納尼企業諮詢管理合伙企業(有限合伙) (Changsha Na Ni Enterprise Consulting Management Partnership (Limited Partnership)*).

INFORMATION OF HANGZHOU DINGYUAN

Hangzhou Dingyuan is a company established with limited liability in the PRC and mainly engages in, amongst others, the provision of investment management services such as strategic investment planning and introduction of investment partners in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of Hangzhou Dingyuan are Mr. 丁偉民 (Ding Weimin*) and Mr. 陳睿峰 (Chen Ruifeng*) holding 55% and 45% of the equity interest in Hangzhou Dingyuan, respectively.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The Group strives to expand online sales and e-commerce of its products via new media, especially short videos and livestreams, in the PRC. The formation of the JV Company will integrate and leverage the advantages of the joint venture partners, especially Hunan Ant Star with vast experience in short-video and livestream e-commerce, which is conducive to establishing a

good sales channel with various platforms for selling the Group's products via short-video and livestream e-commerce.

With the formation of the JV Company in Huizhou, the joint venture partners will be able to provide resources and assistance to the Group for exploring the collaboration with the Huizhou government to develop a livestream e-commerce startup base for Greater Bay Area in Huizhou.

The Directors (including the Independent Non-executive Directors) considered that the capital contribution by the Group and terms of the JV Agreement are on normal commercial terms, and the transactions contemplated under the JV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE CAPITAL CONTRIBUTION

As Jollirich Investment will have control over the majority of the board of directors of the JV Company and the voting rights in the shareholders' meeting of the JV Company, the JV Company shall become a subsidiary of Group. As a result, the financial results, assets and liabilities of the JV Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the capital contribution of the Group pursuant to the JV Agreement is more than 5% but all are less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but are exempted from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“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

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hangzhou Dingyuan”	杭州丁元投資管理有限公司 (Hangzhou Dingyuan Investment Management Co., Ltd.*), a company established in the PRC with limited liability
“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
“Hunan Ant Star”	湖南螞蟻星球科技有限公司 (Hunan Ant Star Technology Co., Ltd.*), a company established in the PRC with limited liability
“Jollirich Investment”	Jollirich Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“JV Agreement”	the joint venture agreement dated 5 October 2022 entered into among Jollirich Investment, Hunan Ant Star and Hangzhou Dingyuan in relation to formation of the JV Company
“JV Company”	卡撒生活新零售(廣東)有限公司 (Casa Living New Retail (Guangdong) Co., Ltd*), a sino-foreign equity joint venture company to be established in the PRC with limited liability pursuant to the JV Agreement (subject to the final name as approved and registered by the relevant administration for market regulation of the PRC)
“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 announcement, Hong Kong, Macau and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

** for identification purpose only*

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1=HK\$1.103 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.

By Order of the Board
Casablanca Group Limited
Cheng Sze Kin
Chairman

Hong Kong, 5 October 2022

As at the date of this announcement, the Board comprises Mr. Cheng Sze Kin (Chairman), Mr. Cheng Sze Tsan (Vice-chairman) and Ms. Wong Pik Hung as Executive Directors, and Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa as Independent Non-executive Directors.