Casablanca Group Limited
卡撒天嬌集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2223)

2023 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

	Notes	**2023**	2022	Change
Revenue *(HK$'000)*		**284,101**	300,163	-5.4%
(Loss) profit for the year *(HK$'000)*		**(9,464)**	4,617	N/A
(Loss) profit attributable to owners of the Company *(HK$'000)*		**(4,640)**	5,378	N/A
Gross profit margin		**67.6%**	62.2%	
Net (loss) profit margin	*1*	**-3.3%**	1.5%	
(Loss) earnings per share – Basic *(HK cents)*		**(1.80)**	2.09	

		As at 31/12/2023	As at 31/12/2022	Change
Total assets *(HK$'000)*		**466,275**	484,836	-3.8%
Total liabilities *(HK$'000)*		**85,522**	89,074	-4.0%
Total equity *(HK$'000)*		**380,753**	395,762	-3.8%
Total bank borrowings *(HK$'000)*		**–**	5,298	-100.0%
Total bank balances and cash *(HK$'000)*		**132,383**	145,595	-9.1%
Net cash *(HK$'000)*	*2*	**132,383**	140,297	-5.6%
Gearing ratio	*3*	**0.0%**	1.3%	

Notes:

1. (Loss) profit for the year is used as the numerator in the calculation.
2. Net cash represents pledged bank deposits and bank balances and cash less total bank borrowings.
3. Gearing ratio is calculated as total bank borrowings divided by total equity.

The board (the "Board") of directors (the "Directors") of Casablanca Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023 (the "Year" or the "Review Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Revenue	*3*	**284,101**	300,163
Cost of goods sold		**(91,953)**	(113,385)
Gross profit		**192,148**	186,778
Other income	*4*	**4,069**	6,495
Other losses	*5*	**(3,823)**	(2,281)
Selling and distribution costs		**(153,558)**	(135,304)
Administrative expenses		**(46,703)**	(46,699)
Finance costs		**(1,154)**	(1,178)
(Loss) profit before taxation	*6*	**(9,021)**	7,811
Taxation	*7*	**(443)**	(3,194)
(Loss) profit for the year		**(9,464)**	4,617
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(5,889)**	(15,837)
Other comprehensive expense		**(5,889)**	(15,837)
Total comprehensive expense for the year		**(15,353)**	(11,220)
(Loss) profit for the year attributable to:			
Owners of the Company		**(4,640)**	5,378
Non-controlling interests		**(4,824)**	(761)
		(9,464)	4,617
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(10,434)**	(10,711)
Non-controlling interests		**(4,919)**	(509)
		(15,353)	(11,220)
(Loss) earnings per share	*9*		
– Basic *(HK cents)*		**(1.80)**	2.09
– Diluted *(HK cents)*		**(1.80)**	2.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**157,715**	157,247
Right-of-use assets		**31,565**	33,694
Investment properties		**20,417**	10,213
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**697**	13,381
Rental and other deposits		**3,115**	1,399
Deferred tax assets		**604**	266
		214,113	216,200
Current assets			
Inventories		**59,937**	58,457
Trade and other receivables	*10*	**51,835**	56,730
Financial assets at fair value through profit or loss		**6,325**	7,659
Taxation recoverable		**1,682**	195
Pledged bank deposits		**9,182**	6,362
Bank balances and cash		**123,201**	139,233
		252,162	268,636
Current liabilities			
Trade and other payables	*11*	**67,520**	60,960
Lease liabilities		**9,749**	12,758
Taxation payable		**287**	1,225
Bank borrowings		**–**	5,298
		77,556	80,241
Net current assets		**174,606**	188,395
Total assets less current liabilities		**388,719**	404,595
Non-current liabilities			
Payable for acquisition of property, plant and equipment		**–**	2,861
Lease liabilities		**7,490**	5,471
Deferred tax liabilities		**476**	501
		7,966	8,833
Net assets		**380,753**	395,762
Capital and reserves			
Share capital		**25,785**	25,785
Reserves		**358,132**	368,222
Equity attributable to owners of the Company		**383,917**	394,007
Non-controlling interests		**(3,164)**	1,755
Total equity		**380,753**	395,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company is World Empire Investment Inc., a company incorporated in the British Virgin Islands, and its ultimate controlling parties are Mr. Cheng Sze Kin, who is the Chairman of the Company, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacture and trading of bedding products and trading of home accessories and furniture.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the following new and amendments to HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sales of bedding products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company regularly review revenue analysis by (i) self-operated retail sales; (ii) e-sales; (iii) sales to distributors and (iv) others. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The executive directors of the Company review the revenue and the results for the year of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Company. Accordingly, no analysis of this single operating segment is presented.

- Self-operated retail sales: Sales through the self-operated retail sales channel refer to retail sales to end-user consumers at the self-operated concession counters in department stores and self-operated retail stores.

- E-sales: E-sales refer to retail sales to end-user consumers through online platforms on internet or mobile devices operated by the Group or third parties, but not by distributors or wholesale customers.

- Sales to distributors: Sales to distributors refer to the sales to distributors who resell the products to end-user consumers, typically at concession counters in department stores and retail stores operated by distributors.

- Others: Other sales include sales to wholesale customers located in the People's Republic of China ("PRC" or "Mainland China" for purpose of this announcement, excluding Hong Kong, Macau and Taiwan) and Hong Kong and Macau (collectively the "Greater China Region"), and sales made to overseas customers.

The information of segment revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Self-operated retail sales	**202,341**	215,910
E-sales	**44,683**	29,035
Sales to distributors	**17,653**	20,504
Others	**19,424**	34,714
	284,101	300,163

Entity-wide information

The following is an analysis of the Group's revenue from its major products:

	2023	2022
	HK$'000	*HK$'000*
Bed linens	**140,695**	163,350
Duvets and pillows	**114,458**	121,751
Other home accessories	**28,948**	15,062
	284,101	300,163

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operations:

	2023	2022
	HK$'000	*HK$'000*
Hong Kong and Macau	**202,994**	235,366
PRC	**80,631**	56,937
Others	**476**	7,860
	284,101	300,163

Information about the Group's non-current assets (excluding rental and other deposits and deferred tax assets) is presented based on the location of the assets:

	2023	2022
	HK$'000	*HK$'000*
PRC	**180,440**	183,136
Hong Kong	**29,954**	31,399
	210,394	214,535

Information about major customer

For the year ended 31 December 2023, revenue from transactions with each external customer is less than 10% (2022: less than 10%) of the total revenue of the Group.

4. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**1,306**	694
Dividend income	**451**	512
Government subsidies *(Note)*	**22**	4,537
Rental income	**1,476**	267
Others	**814**	485
	4,069	6,495

Note: For the year ended 31 December 2022, government grants of HK$4,537,000 mainly included the COVID-19-related subsidies of HK$4,247,000, which relates to Employment Support Scheme provided by the Hong Kong government.

5. OTHER LOSSES

	2023	2022
	HK$'000	*HK$'000*
Net exchange loss	**(878)**	(5,804)
Net reversal of loss allowance (loss allowance) on trade receivables	**1,035**	(378)
Net realised gain on financial assets at fair value through profit or loss ("FVTPL")	**–**	211
Net unrealised loss on financial assets at FVTPL	**(1,334)**	(272)
Impairment loss on property, plant and equipment	**(117)**	–
Impairment loss on investment properties	**(2,350)**	–
Net (loss) gain on disposals and written off of property, plant and equipment	**(179)**	3,962
	(3,823)	(2,281)

6. (LOSS) PROFIT BEFORE TAXATION

	2023	2022
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**85,014**	83,508
Retirement benefit schemes contributions	**6,212**	6,067
Share-based payments	**344**	–
Total staff costs	**91,570**	89,575
Auditor's remuneration	**1,045**	1,020
(Reversal of allowance) allowance for inventories (included in cost of goods sold) *(Note a)*	**(4,074)**	4,182
Cost of inventories recognised as expenses	**96,027**	109,203
Depreciation of property, plant and equipment	**9,545**	10,002
Depreciation of investment properties	**765**	236
Depreciation of right-of-use assets	**16,358**	15,762
Design costs (included in administrative expenses) *(Note b)*	**518**	532

Notes: a. The reversal of allowance for inventories for the year ended 31 December 2023 arose due to the Group's sales strategy for the aged finished goods enhanced by the management during the year.

b. The design costs comprise of staff salaries of HK$289,000 (2022: HK$303,000) for the year ended 31 December 2023, which are included in the staff costs disclosed above.

7. TAXATION

	2023	2022
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**714**	2,601
PRC Enterprise Income Tax ("EIT")	**128**	861
	842	3,462
Overprovision in prior years		
Hong Kong	**(36)**	(60)
	(36)	(60)
	806	3,402
Deferred taxation	**(363)**	(208)
	443	3,194

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% for the years ended 31 December 2022 and 2023, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis for the years ended 31 December 2022 and 2023.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	2023	2022
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**(4,640)**	5,378

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**257,854,000**	257,854,000

For the year ended 31 December 2023 and 2022, there is no dilutive effect from the Company's outstanding share options as the exercise price of these share options is higher than the average market price of the Company's shares during the year.

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**35,553**	42,894
Less: Loss allowance	**(897)**	(6,143)
Trade receivables, net	**34,656**	36,751
Deposits	**3,001**	3,412
Prepayments	**4,716**	6,549
Value added tax recoverable	**6,948**	7,041
Advances to employees	**704**	761
Other receivables *(Note)*	**1,810**	2,216
	17,179	19,979
Total trade and other receivables	**51,835**	56,730

Note: Included in the amount is interest receivable of HK$144,000 (2022: HK$43,000).

Retailing sales are mainly made at concession counters in department stores. The department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranging from 30 to 90 days. For distributors and wholesale sales, the Group allows a credit period up to 90 days to its trade customers, which may be extended to 180 days for selected customers. The following is an aged analysis of trade receivables net of loss allowance presented based on the invoice dates at the end of the reporting period.

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**20,026**	22,796
31 to 60 days	**8,323**	8,025
61 to 90 days	**3,776**	4,998
91 to 180 days	**1,214**	846
181 to 365 days	**511**	52
Over 365 days	**806**	34
	34,656	36,751

For sales to distributors, the Group requests new distributors for upfront payment, while the Group allows other distributors a longer credit period. For wholesale sales, before accepting any new customers with significant sales, the Group will check the historical default records of these customers through external source.

11. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**17,090**	20,753
Bills payables	**27,274**	17,873
Trade and bills payables	**44,364**	38,626
Deposits received	**2,448**	1,762
Accrued expenses	**8,258**	10,596
Salaries payables	**6,753**	8,075
Payable for acquisition of property, plant and equipment	**4,104**	263
Other payables	**955**	999
Contract liabilities	**638**	639
	23,156	22,334
Total trade and other payables	**67,520**	60,960

The credit period of trade and bills payables is from 30 to 180 days.

The following is an aged analysis of trade and bills payables based on the invoice date at the end of the reporting period.

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**13,300**	5,198
31 to 60 days	**16,582**	11,718
61 to 90 days	**7,732**	16,307
91 to 180 days	**6,283**	5,274
Over 180 days	**467**	129
	44,364	38,626

When the Group receives deposits from customer in advance of sales of goods, the deposits are recognised as contract liabilities until the control of the goods has been transferred to the customers.

12. CONTINGENT LIABILITIES

As at 31 December 2022, the Company and two of its subsidiaries in Hong Kong were named as defendants in a litigation commenced by a plaintiff in 2017 involving an alleged copyright infringement. In March 2023, the plaintiff and the defendants have reached a full and final settlement on the copyright dispute, thereby resolving the dispute. The directors of the Company consider that the settlement (including the terms thereof) has no material adverse effect to the business operation and financial position of the Group.

As at 31 December 2023, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2023, while the Russia-Ukraine war dragged on, an armed conflict broke out between Israel and Palestine in the second half of the Year. Geopolitical tensions together with interest rate hike, inflation, steeper prices of energy and food, and other unfavourable factors weighed heavily on consumer confidence in the Greater China Region. Although the COVID-19 pandemic had come to an end, the global economy did not improve notably in the Year, with exports from the Greater China Region dropping. In addition, the recovery of Mainland China economy, which was intended to be driven by domestic demand, was happening slower than expected, which further dampened consumer confidence in the Greater China Region. As for the Hong Kong market, after the inbound and outbound quarantine measures were lifted, the number of visitors from Mainland China to Hong Kong rebounded slowly, while the number of Hong Kong citizens travelling to and consuming overseas or in Mainland China markedly increased. Customer traffic and retail business at shopping malls in Hong Kong did not return as originally anticipated. Although various measures were introduced by the government to promote local consumption and attract tourists to the city, shopping mall patronage and business of department stores did not rebound to pre-pandemic levels. Moreover, with the government stopping to give enterprises COVID-19 related subsidies in 2023 as it did for the past two years, retail enterprises in Hong Kong were facing serious operational pressure.

BUSINESS REVIEW

There was no material change in the Group's operational and segmental information since it announced interim results for the six months ended 30 June 2023. During the Review Period, total sales revenue of the Group amounted to approximately HK$284.1 million, representing a decrease of approximately 5.4% as compared to HK$300.2 million for the corresponding period of 2022. Loss attributable to owners of the Company for the Review Period amounted to approximately HK$4.6 million, as compared to profit attributable to owners of the Company of HK$5.4 million for the corresponding period of 2022. The turnaround from profit to loss attributable to the shareholders of the Company (the "Shareholders") was mainly attributable to (a) the increase in selling and distribution costs, which was primarily due to the increase in staff costs and promotion fees incurred for the development and operation of livestream sales business in Mainland China; (b) decreases in other income/gains including the absence of COVID-19 related grants in the wake of the Hong Kong government terminating the Employment Support Scheme launched in 2022, and the decrease in gain on disposal of property, plant and equipment in 2023; and (c) the impairment loss on investment properties, despite the decrease in exchange losses and the reversal of provisions for inventories and trade receivables in 2023.

The non-wholly owned subsidiary of the Group, namely, Casa Living New Retail (Guangdong) Co., Ltd. * (卡撒生活新零售(廣東)有限公司 and "Casa Living") formed in 2022 for livestream sales business, was at loss for the Year and not in satisfaction of the performance targets as anticipated.

Optimised Sales Channels

For online retail business, themed promotional offers were launched from time to time in the Group's Hong Kong official online store during the Review Period, which were very well received by customers. In Mainland China, on top of putting most of its resources on managing self-operated online stores on well-known platforms as TMall and JD.com, the Group also organised several large-scale livestream sales activities during the Review Period via Casa Living. Such activities were also well-received by consumers in Mainland China. During the Review Period, revenue from e-sales significantly increased by 53.9% as compared to that of 2022.

As at 31 December 2023, the Group had a total of 156 physical points-of-sale ("POS") (31 December 2022: 205), of which 114 were self-operated and 42 were operated by distributors, covering a total of 33 cities in the Greater China Region. During the Review Period, sales of the Group's self-operated retail operation declined by 6.3% year-on-year due to consumers in Hong Kong and Mainland China becoming more cautious in spending in the weak retail market. There were 61 less distributor-operated POS for the Review Period mainly because some less capable distributors were ousted in the difficult business environment. At the same time, the Group sought to improve distributor business by consolidating resources and adjusting relevant strategies. As the Group continuing to cooperate with adept distributors and arrange effective promotional events, sales from distribution for the Review Period was down by 13.9% year-on-year.

During the Review Period, the Group supplied items to various commercial customers in Hong Kong, including convenience stores, electrical appliance chain stores, public utility companies and personal care products brands, for their giveaway campaigns and point redemption schemes. In addition, the Group provided original equipment manufacturing (OEM) products to various customers. During the Review Period, sales to wholesale customers decreased by 29.4% year-on-year, due to the absence of large wholesale orders in Hong Kong as in the corresponding period last year. Export business was affected by geopolitical situations and interest rate hike, thus revenue from other countries decreased by 93.9% as compared to the corresponding period last year.

Enhanced Product Mix

At the beginning of 2023, the Group launched the "AI Ecological Pillow" that has "HarmonyOS Connect Ecological Product Technology Certification" in the Mainland China market. Equipped with an intelligent monitoring module for 24-hour sleep status tracking and an adjustable airbag, the product can transmit data collected to mobile applications via NFC to allow users to adjust the height of the pillow to suit their personal needs. In July 2023, with guests of a hotel in Huizhou invited to take part in a product trial, the "AI Ecological Pillow" gained greater popularity. For the mattress business, the Group actively participated in various exhibitions in department stores and shopping malls in Hong Kong during the Review Period to enhance brand awareness of its "Casa Sleep-Lab Earth Mantle Series" mattress products and received positive market response. During the Review Period, the Group also launched three pillow products under the "Casa Sleep-Lab" brand to meet different needs of consumers.

Being aware of the strong appeal of products featuring cartoon characters to consumers in the Greater China Region, the Group has worked hard on designing such products, seeing it as a key business to develop. For the Review Period, sales of licensed and authorised brand products decreased by 16.7% year-on-year due to the decrease in sales in Hong Kong and Macau. In addition to launched new products with pet cartoons designed in-house by the Group for "The Beloved Series", the Group owns bedding product licences for a number of popular cartoons. New licensed cartoon bedding products launched during the Review Period included "Kakao Friends", "BT21", "Chibi Maruko Chan", "Pokemon", "PEANUTS", "LuLu the Piggy" and "Crayon Shin-chan". Apart from "Chubby Ojisan", a well-loved cartoon character from Taiwan, the Japanese anime character "Chiikawa", the internationally renowned cartoon series "SPY×FAMILY" were added to the authorised cartoon product portfolio, and the licences for "The Moomins" and "Fumeancats", popular among consumers, were again secured.

30th Anniversary Brand Promotion

To celebrate the 30th anniversary of the Casablanca brand in Hong Kong and show support to young people in developing their creativity, the Group jointly organised a bedding product pattern design competition with the School of Fashion and Textiles of the Hong Kong Polytechnic University and Cotton Incorporated in the first quarter of 2023. The winning pattern design named "Technology in Nature" ingeniously integrated the themes of technology and environmental protection, which not only coincided with the "Innovative, Contemporary and Functional" product design concept the Group embraces, but also let people appreciate the Group's effort to promote environmental technology-embedded sleeping space. The winning design has been used in products launched to market since the third quarter of 2023. During the Review Period, the Group mounted different online and offline promotional campaigns tying in with its anniversary and launched new TV commercials and bus body promotions themed "DREAM CASA LOVE CASA - 30 Years of Art and Crafts", relaying the message of how the fashionable and high-quality bedding products of the Group had accompanied Hong Kong consumers in every important stage of their lives in the past three decades.

The Group supports sustainable development and has been earnestly shouldering its corporate social responsibility. During the Review Period, it was awarded the "Supply Chain Partner Award" by its long-term cooperation partner Cotton Incorporated. Additionally, the pure cotton products manufactured by the Group were given the "Seal of Cotton™" and "Cotton LEADS℠" trademarks, proofs of its products being made with high-quality and sustainably produced cotton to offer comfortable and environmental-friendly sleeping experience to consumers. The Group also received the "Outstanding Partner in China Award" and the "Zero Carbon Piloting Award" from its long-term partner Lenzing Group, a world-leading wood-based fibres and yarns manufacturer in Austria. The Group has been using extensively the sustainably produced TENCEL™ fibres of its partner in production, and supportive of TENCEL™ brand's vision of realising net zero emissions by 2025, it encourages consumers to practise environmental protection in their home.

PROSPECTS

In 2024, the war in Israel and its surrounding areas continues, and the US presidential election and the European Parliament election will be held subsequent to the Russian presidential election in mid-March. The global economic and political uncertainty is expected to continue and affect consumer confidence in the Greater China Region. Although the three-year-long COVID-19 pandemic had come to an end, the Chinese economy has been recovering rather slowly and the people are more inclined to save money. Early this year, the National Development and Reform Commission issued a document stating that different relevant macro policies will be implemented in the future, with the aims of synchronising residents' income and economic growth, and restoring consumption confidence. Thus, the Company is cautiously optimistic about the release of consumption power in the Greater China Region in the future.

Mainland China

For its physical self-operated retail sales, the Group will focus on expanding the Shenzhen market, primarily via opening stores in shopping centres or street stores at suitable locations, to achieve the goal of adding 10 to 15 self-operated POS in 2024. It will also focus on growing distributor business in Guangdong by inviting business partners to set up more distributor-operated POS in the province. It will continue to identify opportunities for cross-industry alliance or brand cooperation, like setting up co-branded stores, that can bring synergistic benefits to the Group and its brand partners. In 2024, the Group will proactively enhance wholesale business in Mainland China to bolster related revenue, including grasping opportunities to supply products to corporations with nationwide presence and providing bedding products of unique designs and with health enhancing functions to corporate customers.

As for online business, the Group will continue to optimise its retail business on traditional e-commerce platforms, including retrieving some of the online stores to manage and operate by itself, while commencing sales business on more e-commerce platforms. Livestream sales business will be operated in Mainland China with adjusted strategies in 2024. The Group plans to leverage popular social media platforms like "Douyin in the South and Kuaishou in the North" to foster growth of livestream sales business.

On the product front, at the start of 2024, the Group has jointly established the "Peprobio - Casablanca Health Research Centre" with China Peprobio Institute of Life Science to pursue research and development and application of healthy sleeping, and sleep and anti-aging related products, targeting to transform relevant research and development achievements into healthy sleeping-related products in 2024.

Hong Kong

In Hong Kong, since the government lifted COVID-19 related inbound and outbound quarantine measures in 2023, more and more Hong Kong citizens are making trips to Mainland China to spend. At the beginning of 2024, Wing On Travel, an established travel agency in Hong Kong, organised tour groups in Huizhou, with Hong Kong tourists in the groups receiving products of the Company for trying out, and they also visited the Casablanca Industrial Park in Huizhou to learn about the development history of both the Casablanca brand and healthy sleeping products, and purchase the Group's products on the spot. As the group tours have been well-received, Wing On Travel will continue to organise them till the end of April 2024. The initiative is expected to contribute positively to the sales revenue and brand image of the Company, as well as attract to it new customer groups.

Upholding the core concept of "Innovative, Contemporary and Functional" in product design, the Group has been providing customers with comfortable sleeping products with health enhancing functions. It plans to launch new products made of new technological materials in the first half of 2024 to match the need of consumers to replace home accessories before Hong Kong starts charging for disposal of municipal solid waste on 1 August 2024. Additionally, authorised cartoon products is a major revenue stream for the Group, so it will continue to optimise the relevant product portfolio, so as to offer consumers not only choices of products featuring classic cartoon characters, but also those of latest popular cartoon icons. The Group has plans to launch promotional activities of different cartoon themes through diverse sales channels this year to drive sales growth.

Adhering to its "Contemporary, Innovative and Functional" design concept, the Group strives to integrate sustainable growth, environmental protection and social responsibility, in its business strategies to provide consumers with quality bedding products of fashionable designs and at reasonable prices, and home accessories that are trendy yet practical and beneficial to society. It will also continue to broaden its revenue streams and enhance its brand value so as to bring satisfactory returns to Shareholders in the long run.

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded revenue of HK$284.1 million (2022: HK$300.2 million), representing a decrease of 5.4%. The decrease in revenue was primarily attributable to the decline of sales in Hong Kong and Macau as result of the weak consumer sentiment under the slow post-pandemic recovery of economy, despite the improvement in sales in Mainland China.

Breakdown of revenue by channels:

	2023		2022		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Self-operated retail sales						
Self-operated concession counters	**151,810**	**53.5%**	160,367	53.4%	(8,557)	-5.3%
Self-operated retail stores	**50,531**	**17.8%**	55,543	18.5%	(5,012)	-9.0%
Sub-total for self-operated retail sales	**202,341**	**71.3%**	215,910	71.9%	(13,569)	-6.3%
E-sales	**44,683**	**15.7%**	29,035	9.7%	15,648	53.9%
Sales to distributors	**17,653**	**6.2%**	20,504	6.8%	(2,851)	-13.9%
Others *(Note)*	**19,424**	**6.8%**	34,714	11.6%	(15,290)	-44.0%
Total	**284,101**	**100.0%**	300,163	100.0%	(16,062)	-5.4%

Note: "Others" includes sales to wholesale customers in Hong Kong and Mainland China and also exports to overseas markets.

Self-operated retail sales for the Year accounted for 71.3% of the total revenue and represented a decrease of 6.3% as compared to 2022. The decrease in self-operated retail sales was attributable to the weak consumer sentiment in Hong Kong under the slow post-pandemic recovery of economy. With a few successful livestream sales activities held in Mainland China during the Year, e-sales increased significantly by 53.9% as compared to 2022. The decrease in sales to distributors by 13.9% for 2023 was mainly attributable to the reduction in number of distributor-operated POS in Mainland China and the decrease in sales to distributors in Macau. With the lack of a one-off large scale wholesales in Hong Kong and the decrease in export sales during the Year, sales to others for 2023 recorded a significant decrease of 44.0% as compared to 2022.

Breakdown of revenue by brands:

	2023		2022		Change	
		% of		*% of*		
	HK$'000	***Total***	*HK$'000*	*Total*	*HK$'000*	*%*
Proprietary brands	**237,699**	**83.6%**	246,054	82.0%	(8,355)	-3.4%
Licensed and authorized brands	**45,074**	**15.9%**	54,109	18.0%	(9,035)	-16.7%
Others *(Note)*	**1,328**	**0.5%**	–	0.0%	1,328	N/A
Total	**284,101**	**100.0%**	300,163	100.0%	(16,062)	-5.4%

Note: "Others" includes sales of products under other brands or on original equipment manufacturer basis.

Casablanca, Casa Calvin and CASA-V are our major proprietary brands. With the contribution by livestream sales of products with proprietary brands in Mainland China, the sales of proprietary brands during the Year was slightly decreased by 3.4% as compared to 2022. The decrease of 16.7% in sales of our licensed and authorized brands for 2023 was mainly attributable to the decrease in sales in Hong Kong and Macau.

Breakdown of revenue by products:

	2023		2022		Change	
		% of		*% of*		
	HK$'000	***Total***	*HK$'000*	*Total*	*HK$'000*	*%*
Bed linens	**140,695**	**49.5%**	163,350	54.4%	(22,655)	-13.9%
Duvets and pillows	**114,458**	**40.3%**	121,751	40.6%	(7,293)	-6.0%
Others *(Note)*	**28,948**	**10.2%**	15,062	5.0%	13,886	92.2%
Total	**284,101**	**100.0%**	300,163	100.0%	(16,062)	-5.4%

Note: "Others" includes sales of home accessories, furniture and other products.

Bed linens and duvets and pillows are major products of the Group. The decrease in sales of bed linens and duvets and pillows for 2023 was primarily due to the decrease in overall sales during the Year. The increase in sales of others for 2023 was attributable to more home accessories and other products being sold under livestream sales during the Year.

Breakdown of revenue by geographic regions:

	2023		2022		Change	
		% of		*% of*		
	HK$'000	***Total***	*HK$'000*	*Total*	*HK$'000*	*%*
Hong Kong and Macau	**202,994**	**71.4%**	235,366	78.4%	(32,372)	-13.8%
Mainland China	**80,631**	**28.4%**	56,937	19.0%	23,694	41.6%
Others *(Note)*	**476**	**0.2%**	7,860	2.6%	(7,384)	-93.9%
Total	**284,101**	**100.0%**	300,163	100.0%	(16,062)	-5.4%

Note: "Others" includes sales to regions other than Hong Kong, Macau and Mainland China.

Revenue from Hong Kong and Macau for 2023 decreased by 13.8% as compared to 2022, which was primarily due to the decreases in retail sales and wholesales in Hong Kong. The increase in revenue from Mainland China by 41.6% for 2023, when compared to 2022, was attributable to increases in sales through self-operated retail sales and e-sales, especially livestream sales, in Mainland China. Revenue from others for 2023 significantly decreased due to lack of purchase orders from some of our export customers.

Gross Profit and Gross Profit Margin

Gross profit increased by 2.9% to HK$192.1 million for 2023 as compared to HK$186.8 million for 2022. The gross profit margin for 2023 was 67.6% which was higher than 62.2% for 2022. The higher gross profit margin for 2023 was mainly due to the reversal of allowance for inventories amounted to HK$4.1 million (2022 allowance: HK$4.2 million) included in cost of goods sold with improvement in stock aging status at 31 December 2023 and the increase in proportion of e-sales for 2023 which were at higher margin.

Other Income

Other income for the Year significantly decreased by 37.4% to HK$4.1 million (2022: HK$6.5 million). The decrease during the Year was mainly due to the absence of subsidies of about HK$4.5 million received from governments of Hong Kong and Mainland China primarily in relation to COVID-19 as in 2022 despite increases in interest income by HK$0.6 million and rental income by HK$1.2 million for the Year.

Other Losses

Other losses for the Year amounted to HK$3.8 million (2022: HK$2.3 million), mainly representing net exchange loss of HK$0.9 million (2022: HK$5.8 million), net loss on disposal of property, plant and equipment of HK$0.2 million in total (2022 net gain on disposal: HK$4.0 million), impairment loss of HK$2.5 million (2022: nil) and net loss on FVTPL of HK$1.3 million (2022: HK$0.1 million) offsetting reversal of loss allowance on trade receivables of HK$1.0 million (2022 loss allowance: HK$0.4 million).

Operating Expenses

Selling and distribution costs for the Year increased by 13.5% to HK$153.6 million (2022: HK$135.3 million). The increase was mainly due to the increased staff costs and promotional expenses incurred in the course of developing and conducting the livestream sales business in Mainland China.

Administrative expenses for the Year were HK$46.7 million (2022: HK$46.7 million) at similar level as 2022.

Taxation

The Group's effective tax rate for 2023 was -4.9% as compared to 40.9% for 2022. The negative effective tax rate for 2023 was mainly due to operating losses of subsidiaries in the PRC exceeding operating profit of subsidiaries in Hong Kong, while the effective tax rate was calculated with non-taxable subsidies and gains offsetting against operating losses of subsidiaries in the PRC and other non-tax deductible expenses. Had these subsidies, operating losses, the loss allowances on trade and other receivables and inventory, the non-deductible share-based payments and the exchange loss for 2023 and 2022 been excluded, the adjusted effective tax rate would be approximately 15.7% for 2023 and 16.4% for 2022.

Loss for the Year

The Group recorded loss of HK$9.5 million for 2023 (2022 profit: HK$4.6 million). By excluding non-controlling interests, the Group's loss attributable to the Shareholders for 2023 was HK$4.6 million (2022 profit: HK$5.4 million) which included the loss of Casa Living amounted to approximately HK$5.0 million (2022: HK$0.8 million) attributable to the Shareholders. The loss for the Year, as compared to the profit-making position for 2022, was primarily attributable to (a) the increase in selling and distribution costs which was mainly due to the increased staff costs and promotional expenses incurred in the course of developing and conducting the livestream sales business in Mainland China; (b) decreases in other income/gains including, among others, the unavailability of COVID-19-related subsidies in 2023 following the cessation of the 2022 Employment Support Scheme launched by the Hong Kong government and less gain on disposal of property, plant and equipment recorded for 2023; and (c) the increase in other losses including, among others, the impairment loss on investment properties, despite the decrease in exchange loss and the reversal of provisions for inventories and trade receivables in 2023.

The Company disclosed EBITDA (as adjusted), which represented by gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortization and share-based payments (if any), in its financial reports in the past. As EBITDA or adjusted EBITDA is not a financial measure under the HKFRS, there are not many listed companies in Hong Kong to disclose EBITDA or adjusted EBITDA in their financial reports. Furthermore, the formulae for calculating EBITDA or adjusted EBITDA can vary. The Company determines not to disclose EBITDA or adjusted EBITDA any more for the Year and in future financial reports because the HKFRS financial measures presented are sufficient to the Shareholders and potential investors for analyzing the Group's performance and it may not be comparable to other listed companies in Hong Kong even with EBITDA or adjusted EBITDA of the Group being disclosed.

Major Operating Efficiency Ratios

	2023	2022	Change
Inventory turnover *(days)*	**235.0**	232.2	2.8
Trade receivables turnover *(days)*	**45.9**	50.8	-4.9
Trade and bills payables turnover *(days)*	**164.7**	152.1	12.6

Inventory turnover

The inventory turnover is equal to the average of opening and closing inventory divided by total cost of sales for the year and multiplied by 365 days. The inventory at 31 December 2023 slightly increased by 2.5% to HK$59.9 million (2022: HK$58.5 million). The reason for inventory turnover for 2023 increased to 235.0 days from 232.2 days for 2022 was due to the increase in inventory and the decrease in cost of sales.

Trade receivables turnover

The trade receivables turnover is equal to the average of opening and closing trade receivables divided by total sales for the year and multiplied by 365 days. The trade receivables at 31 December 2023 slightly decreased by 5.7% to HK$34.7 million (2022: HK$36.8 million) net of loss allowance of HK$0.9 million (2022: HK$6.1 million). The decrease in loss allowance at 31 December 2023 was due to the write-off of long-aged trade receivables and the reversal of loss allowance recognised in prior years. With the decrease in sales for 2023 and the lower closing trade receivables at 31 December 2023, the trade receivables turnover for 2023 decreased to 45.9 days (2022: 50.8 days).

Trade and bills payables turnover

The trade and bills payables turnover is equal to the average of opening and closing trade and bills payables divided by total cost of sales for the year and multiplied by 365 days. The trade and bill payables at 31 December 2023 increased by 14.9% to HK$44.4 million (2022: HK$38.6 million). The trade and bills payables turnover for 2023 increased to 164.7 days (2022: 152.1 days) was attributable to the increase in trade and bills payables at 31 December 2023 for purchases more raw materials in the fourth quarter of 2023, and the decrease in cost of sales for 2023.

Liquidity and Capital Resources

The gearing structure is set out below:

	As at 31 December			
	2023	2022	Change	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Total assets	**466,275**	484,836	(18,561)	-3.8%
Total liabilities	**85,522**	89,074	(3,552)	-4.0%
Total equity	**380,753**	395,762	(15,009)	-3.8%
Total bank borrowings	–	5,298	(5,298)	-100.0%
Total bank balances and cash	**132,383**	145,595	(13,212)	-9.1%
Net cash	**132,383**	140,297	(7,914)	-5.6%

The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group generally finances its operations with internally generated cash flows. Bank borrowings were primarily for settlement of payables for the construction of the new building B under phase II of Casablanca industrial Park in Huizhou in order to improve the working capital of the PRC subsidiary.

The decrease in bank balances and cash at 31 December 2023 was primarily attributable to loss for the Year and settlements of bank borrowings and outstanding payables for interior decorations of the new building B under phase II of Casablanca Industrial Park in Huizhou during the Year. The Group still had available net cash about HK$132.4 million as at 31 December 2023 which would be sufficient for its present operations in absence of unforeseen circumstances.

Pledged bank deposits and bank balances and cash

As at 31 December 2023, the pledged bank deposits of the Group were approximately HK$9.2 million (2022: HK$6.4 million), which were denominated in HKD and RMB, and the bank balances and cash of the Group were approximately HK$123.2 million (2022: HK$139.2 million), which were denominated in HKD and RMB except for about 0.4% in United States dollars and Euro.

Bank borrowings

As at 31 December 2023, there was no bank borrowings of the Group (2022: HK$5.3 million). Despite loss for the Year, the financial position of the Group was healthy during the Year.

Current ratio

The Group's total current assets and the total current liabilities at 31 December 2023 decreased to HK$252.2 million (2022: HK$268.6 million) and HK$77.6 million (2022: HK$80.2 million) respectively. As a result, the current ratio decreased to 3.3 as at 31 December 2023 from 3.4 as at 31 December 2022. The decrease in current ratio was mainly due to the decrease in current assets more than that in current liabilities.

Gearing ratio

Gearing ratio is calculated as total borrowings divided by total equity at the end of the year. As at 31 December 2023, the gearing ratio was 0% (2022: 1.3%) without bank borrowings. The Group was at net cash position at 31 December 2023 as well as 31 December 2022.

Pledge of assets

As at 31 December 2023, no leasehold land and buildings or investment properties were pledged to banks as securities for banking facilities granted to the Group (2022: nil). The Group had pledged only its fixed deposits with an aggregate value of HK$9.2 million (2022: HK$6.4 million) to certain banks in Hong Kong and Mainland China to secure banking facilities granted to the Group at 31 December 2023.

Capital expenditures

During the Year, the Group invested HK$27.9 million (2022: HK$10.1 million) mainly for acquisition of properties, leasehold improvements and equipment and the decoration for the new building B under phase II of Casablanca Industrial Park in Huizhou, the PRC.

Capital commitments

As at 31 December 2023, the Group had capital commitments of only HK$0.2 million as compared to approximately HK$9.5 million at 31 December 2022 of which mainly related to the decoration for the new building B under phase II of Casablanca Industrial Park.

Share Capital

The total number of issued ordinary shares of the Company ("Shares") as at 31 December 2023 was 257,854,000 Shares (2022: 257,854,000 Shares). As at 31 December 2023, the total issued share capital of the Company was HK$25,785,400 (2022: HK$25,785,400).

In order to provide incentive or reward to eligible persons for their contribution to the Group and to enable the Group to recruit and retain human resources that are valuable to the Group, the Company adopted a new share option scheme which had been approved upon the termination of the one adopted before the listing at the annual general meeting held on 6 June 2022.

Foreign Exchange Exposure

The Group carries on its business mainly in Hong Kong and Mainland China. The Group is exposed to foreign exchange risk principally in RMB which may affect the Group's performance. RMB depreciated by about 2.7% against HKD in 2023 (2022: 7.8%). The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging arrangement is necessary. The Group currently does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

Employee and Remuneration Policy

As at 31 December 2023, the employee headcount of the Group was 531 (2022: 519) and the total staff costs, including directors' emoluments, for the Year amounted to HK$91.6 million (2022: HK$89.6 million). The increase of number of staff and thus the increase in total staff costs for 2023 was mainly due to the expansion of livestream sales business in Mainland China.

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme.

Material Acquisitions and Disposals of Subsidiaries and Associates

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures in the course of the Year.

Significant Investments

The Group did not hold any significant investments during the Year save as those disclosed in this announcement.

Financial Assets at FVTPL

The financial assets at FVTPL at 31 December 2023 represent the Group's investments for medium to long-term investment purposes in shares of following constituents of Hang Seng Index as listed on the Stock Exchange:

Name of Company listed on the Stock Exchange	Stock Code	Fair Value of Investment at 31 December 2023 *HK$'000*
Hong Kong Exchanges and Clearing Limited	00388	804
China Construction Bank Corporation	00939	2,790
Ping An Insurance (Group) Company of China, Ltd.	02318	707
China Life Insurance Company Limited	02628	2,024
Total		6,325

As at 31 December 2023, the Company had total investments in shares of companies listed on the Stock Exchange with fair value of HK$6.3 million (2022: HK$7.7 million) which were not more than 5% of the Group's total assets. The decrease in financial assets at FVTPL by about HK$1.3 million (2022: HK$0.1 million) was mainly derived from decreases in prices of shares as held at 31 December 2023. Dividend income for the Year from these investments in shares of companies listed on the Stock Exchange was HK$0.4 million (2022: HK$0.5 million). As the Group's investments are constituents of Hang Seng Index as listed on the Stock Exchange, they are expected to bring returns to the Group in the long run.

Future Plans for Material Investments or Capital Assets

The Group is actively identifying and exploring suitable investments with potential and synergy effect to its existing businesses. Only potential investments, which are in the interests of the Company and the Shareholders as a whole, will be considered.

For medium to long-term investment purposes, the Group may consider to invest in shares of companies listed on the Stock Exchange to strive for better return in the medium to long-term from surplus cash on hand. As at 31 December 2023, the Group had investments in shares of companies listed on the Stock Exchange as disclosed for financial assets at FVTPL above.

The Group will review its business strategy in respect of its capital assets (including but not limited to properties owned by the Group) from time to time. With a view to optimising the overall benefits of the Group, adjustments may be made or new initiatives may be undertaken as regards the business plans formulated for properties owned by the Group having regard to the operational needs of the Group, actual circumstance and the interest of the Group as a whole. As at 31 December 2023, the Group leased out investment properties with total carrying amount of HK$20.4 million (2022: HK$10.2 million) under operating leases which run for two to five years.

The construction of complex with four floors for the new building B under phase II of the Casablanca Industrial Park in Huizhou, the PRC was duly completed in April 2022 with a total construction area of 25,255.09 square metres. To cope with the business development, the interior designs of the new building B under phase II of the Casablanca Industrial Park had been modified into a complex comprising research and development centre, office, conference rooms, training rooms, showroom, livestreaming centres, and catering facilities.

References are made to the announcements of the Company dated 1 September 2022 and 5 September 2022 in relation to the Showroom Decoration for the phase II of Casablanca Industrial Park. The Group entered into a construction agreement on 1 September 2022 with an independent third party contractor for a consideration of RMB4.8 million (equivalent approximately to HK$5.3 million) to carry out the Showroom Decoration. Including the Showroom Decoration, the Group finally incurred a total consideration of RMB24.4 million (equivalent approximately to HK$27.0 million) in interior works and decorations for the new building B under phase II of the Casablanca Industrial Park. The new building B under phase II of the Casablanca Industrial Park in Huizhou has been in use since March 2023.

Other than those disclosed above, there was no plan authorised by the Board for material investments or additions of capital assets at the date of this announcement.

Update on Discloseable Transaction involving the Formation of Joint Venture Company and Details of Performance Guarantee

Reference is made to the announcement of the Company dated 5 October 2022 in relation to discloseable transaction – formation of joint venture company. On 5 October 2022, Jollirich Investment Limited (an indirect wholly-owned subsidiary of the Company) entered into a joint venture agreement (the "JV Agreement") with 湖南螞蟻星球科技有限公司 (Hunan Ant Star Technology Co., Ltd.*) ("Hunan Ant Star") and 杭州丁元投資管理有限公司 (Hangzhou Dingyuan Investment Management Co., Ltd.*) ("Hangzhou Dingyuan"), pursuant to which the parties agreed to establish Casa Living.

At the date of this announcement, Hunan Ant Star has not paid the first instalment of its committed capital contribution in the amount of RMB1,000,000, which was due and payable on 30 September 2023. On 26 January 2024, Casa Living as plaintiff filed a claim with 惠州市惠城區人民法院 (Huicheng District People's Court of Huizhou Municipality*, the "Huicheng District Court") against Hunan Ant Star as defendant, seeking (i) order compelling Hunan Ant Star to forthwith fulfil its capital contribution obligations and pay RMB1,000,000 to Casa Living as capital contribution; (ii) liquidated damages and penalty at 6% per annum accruing on RMB1,000,000; and (iii) related costs (the "Claim"). The Claim is subject to acceptance by the Huicheng District Court. The Board considers that the Claim is not expected to have any material adverse effect on the operation and financial positions of the Group. The Group is currently seeking legal advice in respect of the Claim and will rigorously enforce its rights and defend its interest, including but not limited to taking appropriate actions and seeking appropriate remedies in respect of all current and future rights and interests under the JV Agreement.

For the year ended 31 December 2023, Casa Living recorded a turnover and a loss of approximately RMB16.3 million (equivalent to HK$18.0 million) and RMB8.9 million (equivalent to HK$9.8 million) respectively, based on its audited financial statements, which accounted for approximately 6.3% and 104.0% of the Group's consolidated turnover and loss for the year respectively. As Casa Living is a subsidiary of the Group, the relevant loss has been reflected in the Group's consolidated financial statements for the year ended 31 December 2023. In view of the Claim, Casa Living is currently run by the management team of Hangzhou Dingyuan. The Group has also adjusted its strategies for development of livestream sales business in Mainland China. The Group will closely monitor the operations and development of Casa Living.

Pursuant to the JV Agreement, Hunan Ant Star guaranteed the satisfaction of the turnover targets and after-tax profit targets by the Casa Living for each of the three financial years ending 31 December 2023, 2024 and 2025 (the "Performance Targets"). The Performance Targets for the year ended 31 December 2023 were turnover of RMB150 million and net profit after tax of RMB15 million. As the audited results of Casa Living for the year ended 31 December 2023 fell short of the turnover target and profit target for the same year, pursuant to the JV Agreement, the operating and management team of Casa Living was not entitled to any performance incentives or bonuses in accordance with the JV Agreement.

The Performance Targets were recorded in the JV Agreement as a mutual intent of the vision for and business projection of Casa Living, and were intended to serve as evaluation indicators for performance incentives and bonuses. The Performance Targets in the JV Agreement were in nature an illustration of the commitment of Hunan Ant Star (which is contractually responsible for the operation and management of Casa Living), which do not create any obligation on the part of Hunan Ant Star to make up for any shortfall in respect thereof. The JV Agreement does not contain any provision which would give rise to a put option for the Company to sell its equity interest in Casa Living to Hunan Ant Star by reason of the failure to satisfy any Performance Targets.

The Company will make further announcement(s) to inform Shareholder and potential investors in respect of further material developments in connection with the Claim and/or the JV Agreement in accordance with the Listing Rules as and when appropriate.

Contingent Liabilities

As at 31 December 2022, the Company and two of its subsidiaries in Hong Kong were defendants in a litigation involving a copyright dispute in Hong Kong which was regarded as contingent liabilities. The parties of the litigation have reached a full and final settlement in March 2023, thereby resolved the dispute in lieu of trial. The settlement (including the terms thereof) had no material adverse effect to the business operation and financial position of the Group. As at 31 December 2023, the Group did not have any significant contingent liabilities.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company for the year ended 31 December 2023 (the "AGM") is scheduled to be held on Friday, 24 May 2024. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 May 2024 to Friday, 24 May 2024 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM of the Company, all completed transfer documents accompanying with the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. (Hong Kong time) on Friday, 17 May 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "CG Code") as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code during the Year.

None of the Directors is aware of any information which would reasonably indicate that the Company has not, for any part of the Year, complied with the code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three Independent Non-executive Directors, namely, Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa. Mr. Lo Siu Leung is the chairman of the Audit Committee. The Audit Committee is primarily responsible for the review of the Group's financial reporting process and risk management and internal control systems. It has reviewed the accounting principles and practices adopted by the Group and the audited annual results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF MESSRS. CHENG & CHENG LIMITED, CERTIFIED PUBLIC ACCOUNTANTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. CHENG & CHENG LIMITED, Certified Public Accountants ("CHENG & CHENG"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by CHENG & CHENG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CHENG & CHENG on this preliminary announcement.

APPRECIATION

We would like to extend our sincere gratitude to our valued customers, business partners and Shareholders for their constant support, and express our appreciation to the management team and employees for their valuable contributions to the development of the Group for the Year.

* *For identification purpose only.*

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

Hong Kong, 26 March 2024

As at the date of this announcement, the Board of the Company 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.