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Casablanca Group Limited

卡撒天嬌集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2223)

**SETTLEMENT OF LITIGATION INITIATED BY
A NON-WHOLLY-OWNED SUBSIDIARY
AND
UPDATE OF DISCLOSEABLE TRANSACTION
IN RELATION TO JOINT VENTURE COMPANY**

References are made to (1) the announcement of Casablanca Group Limited (the “**Company**”) dated 5 October 2022 in relation to the formation of Casa Living (i.e. the JV Company), and (2) the announcements of the Company dated 26 March 2024, 2 April 2024, 8 April 2024, 10 May 2024, 14 May 2024 and 23 August 2024 in relation to, amongst others, the Litigation initiated by Casa Living against Hunan Seven Star in respect of the due and unpaid capital contributions under the JV Agreement in the total amount of RMB3,000,000 plus interest (the “**Announcements**”). Unless the context requires otherwise, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcements.

SETTLEMENT OF LITIGATION INITIATED BY A NON-WHOLLY-OWNED SUBSIDIARY

The Company announces that on 5 September 2024, Casa Living and Hunan Seven Star has reached a settlement of the Litigation (the “**Settlement**”), comprising:

- (1) the transfer of all the 35% equity interest in Casa Living (the “**Share Transfer**”) held by Hunan Seven Star to two new investors who are independent third parties, namely 台山市得力道食品有限公司 (Delicious Foodstuffs (Taishan) Company Limited*) (“**Taishan Delicious Foodstuffs**”) and 北京上東嘉禾文化發展有限公司 (Beijing East Jiahe Cultural Development Co., Ltd.*) (“**Beijing East Jiahe**”) (collectively, the “**New Shareholders**”);

- (2) the entering into of a cooperation agreement (the “**Cooperation Agreement**”) between Jollirich Investment, Hangzhou Dingyuan and the New Shareholders to govern their rights and obligations in respect of, and the operations of, Casa Living;
- (3) the termination of the JV Agreement following the Share Transfer, the entering into of the Cooperation Agreement and the passing of a shareholders’ resolutions of Casa Living to reflect the same; and
- (4) the filing of an application for cessation of the claims under the Litigation with the Huicheng District Court by Casa Living after the completion of the above-mentioned in paragraphs (1) and (2).

THE SHARE TRANSFER

The Board notes that on 5 September 2024, Hunan Seven Star entered into a share transfer agreement (the “**Share Transfer Agreement**”) with the New Shareholders, pursuant to which Hunan Seven Star has agreed to transfer 13% and 22% of the equity interest in Casa Living to Taishan Delicious Foodstuffs and Beijing East Jiahe, respectively.

THE COOPERATION AGREEMENT

The Board announces that on 5 September 2024, Jollirich Investment, Hangzhou Dingyuan and the New Shareholders entered into the Cooperation Agreement to govern the rights and obligations of Jollirich Investment, Hangzhou Dingyuan and the New Shareholders in respect of, and the operations of, Casa Living.

The principal terms of the Cooperation Agreement are substantially same as those in the JV Agreement with appropriate adjustments to reflect the Share Transfer.

Set forth below are the key terms of the Cooperation Agreement which amended the terms in the JV Agreement:

Capital contribution

The registered capital of Casa Living is RMB15,000,000 (equivalent to approximately HK\$16,470,000) and each of the parties commits to contribute to the capital of Casa Living as follows:

	Capital contribution (RMB)	Percentage of equity interest in Casa Living
Jollirich Investment	7,650,000	51%
Hangzhou Dingyuan	2,100,000	14%
Taishan Delicious Foodstuffs	1,950,000	13%
Beijing East Jiahe	3,300,000	22%
Total	15,000,000	100%

Jollirich Investment and Hangzhou Dingyuan had already fully paid their respective capital contributions to Casa Living in cash in 2022.

Taishan Delicious Foodstuffs and Beijing East Jiahe shall make their capital contributions of RMB5,250,000 in total to Casa Living in cash before 31 December 2024.

There is no change to the proportion of equity interest (i.e. 51%) in Casa Living held by Jollirich Investment. Hence, Casa Living continues to be a non-wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Casa Living remains to be consolidated into the accounts of the Group.

Management of Casa Living

The board of directors of Casa Living will comprise five members, including three nominated by Jollirich Investment, one nominated by Hangzhou Dingyuan and one jointly nominated by the New Shareholders. The chairman of the board of directors of Casa Living shall be a director nominated by Jollirich Investment.

Hangzhou Dingyuan will lead a management team for the operations of Casa Living. A general manager will be appointed by the board of directors of Casa Living, to whom the general manager will report.

Management targets and incentives

The turnover targets and after-tax profit targets of the management team of Casa Living for each of the three financial years ending 31 December 2025, 2026 and 2027 are set out as follows (the "New Management Targets"):

Financial year ending 31 December	Turnover	Net profit after tax (the “New Profit Target(s)”)
	<i>(RMB)</i>	<i>(RMB)</i>
2025	100,000,000	5,000,000
2026	157,000,000	13,000,000
2027	277,000,000	27,000,000
Total	534,000,000	45,000,000

- (1) For each of the three financial years ending 31 December 2027, if the audited net profit of Casa Living for any of such financial years exceeds the New Profit Target in respect of such financial year (the “**Surplus**”), the operating and management team of the Casa Living will be entitled to a bonus equivalent to 60% of the Surplus.
- (2) The Company will propose plans for the granting of share options under its share option scheme to the operating and management team of Casa Living, who are employees of the Group, to subscribe for no less than a total of 10,000,000 Shares when the New Management Targets are satisfied in the manner set out as follows:

Financial year ending 31 December	Number of share options to be granted on attaining the New Management Targets
2025	3,000,000
2026	3,000,000
2027	4,000,000
Total	10,000,000

The plans for the granting of share options to the operating and management team of Casa Living 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.

- (3) If all the New Management 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 Casa Living held by Hangzhou Dingyuan and the New Shareholders (the “**Possible Buy-out**”).
- (4) The terms and conditions of the Possible Buy-out (including the structure and consideration thereof) are subject to further negotiation between the parties and a 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 NEW SHAREHOLDERS

Information on Taishan Delicious Foodstuffs

Taishan Delicious Foodstuffs is a company established with limited liability in the PRC and mainly engages in, amongst others, producing and selling foods and processing and selling plastic bottles in the PRC.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) all the equity interest in Taishan Delicious Foodstuffs is held by 珠海得力道食品有限公司 (Delicious Foodstuffs Zhuhai Company Limited*), which is in turn held as to 32.26%, 21.51%, 13.98%, 12.99% and 19.26% of its equity interest by 左力 (Zuo Li*), 董國慶 (Dong Guoqing*), 珠海易衡科技有限公司 (Zhuhai Yiheng Technology Company Limited*) (a company the equity interest in which is held as to 53.33% by 左力 (Zuo Li*)), 羅君 (Luo Jun*) and two other minority shareholders, respectively; and (ii) Taishan Delicious Foodstuffs and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Information on Beijing East Jiahe

Beijing East Jiahe is a company established with limited liability in the PRC and mainly engages in, amongst others, organizing cultural and art services (excluding show performance), corporate consulting, selling foods, apparels and home products, incubating intellectual properties, and exploiting and selling cultural and creative products in the PRC.

The equity interest in Beijing East Jiahe is held as to 65%, 20% and 15% by 陳睿峰 (Chen Ruifeng*), 林貴冰 (Lin Guibing*) and 許科 (Xu Ke*), respectively. 陳睿峰 (Chen Ruifeng*) is a director of Casa Living and holds 45% equity interest in Hangzhou Dingyuan.

REASONS FOR AND BENEFITS OF THE SETTLEMENT

As disclosed in the Announcements, the Group strives to expand online sales and e-commerce of its products via new media, especially short videos and livestreams, in the PRC. Casa Living was established with an aim of establishing a good sales channel with various platforms for selling various products via short-video and livestream e-commerce.

Following the Share Transfer and the entering into of the Cooperation Agreement, Casa Living will be able to re-focus on the development of its business and integrate and leverage the advantages of Hangzhou Dingyuan and the New Shareholders for such endeavours. Hangzhou Dingyuan and the New Shareholders will be able to provide resources and assistance to the Group (including the capital contribution as agreed in the Cooperation Agreement) for exploring the collaboration with the Huizhou Government to develop a livestream e-commerce startup base for Greater Bay Area in Huizhou.

The Board considers that the Settlement has no material adverse effect to the business operation and financial position of the Group. The Directors (including the Independent Non-executive Directors) considered that terms of the Settlement are on normal commercial terms, and the Settlement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Casa Living is an indirect non-wholly-owned subsidiary of the Company. Hunan Seven Star and Hangzhou Dingyuan hold 35% and 14% of the equity interest in Casa Living respectively and hence are substantial shareholders of Casa Living. Beijing East Jiahe is an associate of 陳睿峰 (Chen Ruifeng*), who is a director of Casa Living, by virtue of the 65% equity interest in Beijing East Jiahe held by 陳睿峰 (Chen Ruifeng*). As the total assets, profits and revenue in respect of Casa Living (established on 12 October 2022) compared to that of the Group were less than 10% for each of the two financial years ended 31 December 2022 and 2023, Casa Living is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules. Therefore, each of Hunan Seven Star, Hangzhou Dingyuan, Beijing East Jiahe and 陳睿峰 (Chen Ruifeng*) is not a connected person of the Company under the Listing Rules.

As the Group is not a party to the Share Transfer Agreement, and the entering into of the Cooperation Agreement was mainly to put the New Shareholders in a substantially similar position with Hunan Seven Star under the JV Agreement as a consequence of the Share Transfer; the Company considers that the Settlement does not constitute a transaction under Chapter 14 of the Listing Rules (and in any event all the applicable percentage ratios are below 5%). The termination of the JV Agreement by way of the Settlement constitutes a termination of a previous transaction of the Company announced under Chapter 14 of the Listing Rules and hence is required to be disclosed under Rule 14.36 of the Listing Rules.

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

Hong Kong, 6 September 2024

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.

** For identification purpose only*

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1=HK\$1.098 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.