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Casablanca Group Limited

卡撒天嬌集團有限公司

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

(Stock Code: 2223)

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

CONSTRUCTION AGREEMENT

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

LISTING RULES IMPLICATIONS

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

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

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

As at the date of this announcement, World Empire, being the controlling Shareholder of the Company holding 150,000,000 Shares, representing approximately 58.2% of the total number of issued Shares of the Company, has given a written Shareholder's approval with respect to the Construction Agreement and the Transaction.

A Circular containing, among other things, further details of the Construction Agreement and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 15 December 2020 as additional time is required for the Company to prepare and finalise certain information relating to indebtedness statements and working capital sufficiency for inclusion in the Circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules in respect of the delay in despatch of the Circular.

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

Date:	30 October 2020
Parties:	(i) Casablanca Huizhou (ii) Huizhou Dongjiang, as the contractor
Subject matter:	Casablanca Huizhou conditionally agreed to engage Huizhou Dongjiang for the provision of, and Huizhou Dongjiang conditionally agreed to provide to Casablanca Huizhou, construction services (including, among other things, civil engineering for laying the foundation and constructing the main structure with four floors and the installation of electricity, water and fire protection systems) for the new factory building B which is adjacent to the current factory building A within the Casablanca Industrial Park.
Terms of Construction:	The Construction is expected to commence on 16 November 2020 (subject to the actual commencement date as stated in the notice of commencement of Construction to be issued upon instructions from Casablanca Huizhou) and complete within 365 days after the actual commencement date of the Construction (subject to the satisfaction of the relevant governmental authorities and Casablanca Huizhou).

Consideration and payment terms:

The total consideration for the Construction shall be RMB46,012,424 (equivalent to approximately HK\$53,374,000) and shall be payable in cash by Casablanca Huizhou to Huizhou Dongjiang as follows:

- (i) 10% of the total consideration shall be pre-paid 7 business days before the actual commencement date of the Construction as stated in the notice of commencement of Construction to be issued upon instructions from Casablanca Huizhou;
- (ii) up to 85% (taking into account the amount already paid under (i) above) of the total consideration to be paid each month in proportion to the progress of the Construction, and such progress of Construction shall be as reported by Huizhou Dongjiang and approved by Casablanca Huizhou;
- (iii) up to 95% (taking into account the amounts already paid under (i) and (ii) above) of the total consideration shall be paid within 14 business days after the Construction is completed to the satisfaction of the relevant governmental authorities and Casablanca Huizhou; and
- (iv) the remaining 5% of the total consideration shall be paid within 7 business days after a period of 2 years from the completion of the Construction to the satisfaction of the relevant governmental authorities and Casablanca Huizhou.

The consideration for the Construction was determined through a tendering process and with reference to the project cost budget prepared by Huizhou Jianxun, engaged by the Group, based on the architectural design of the Construction.

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

INFORMATION ON THE PARTIES

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

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

Huizhou Dongjiang's principal business is building construction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Huizhou Dongjiang and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION

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

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

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

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

As at the date of this announcement, World Empire, being the controlling Shareholder of the Company holding 150,000,000 Shares, representing approximately 58.2% of the total number of issued Shares of the Company, has given a written Shareholder’s approval with respect to the Construction Agreement and the Transaction.

A Circular containing, among other things, further details of the Construction Agreement and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 15 December 2020 as additional time is required for the Company to prepare and finalise certain information relating to indebtedness statements and working capital sufficiency for inclusion in the Circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules in respect of the delay in despatch of the Circular.

DEFINITIONS

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

“Board”	the board of Directors
“Casablanca Huizhou”	卡撒天嬌家居(惠州)有限公司 (Casablanca Home (Huizhou) Co., Ltd.*), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Casablanca Industrial Park”	the land owned by Casablanca Huizhou located at Dongjiang Hi-Tech Industrial Zone, Zhong Kai Hi-Tech District, Huizhou, Guangdong Province, PRC* (中國廣東省惠州市仲愷高新區東江高新科技產業園)
“Circular”	the circular of the Company to be despatched to the Shareholders containing, among other things, information on the Construction Agreement and other information as required under the Listing Rules
“Company”	Casablanca Group Limited, a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meanings as ascribed to it under the Listing Rules
“Construction”	the construction of the factory building B under phase II of Casablanca Industrial Park under the Construction Agreement

“Construction Agreement”	the construction agreement dated 30 October 2020 and entered into between Casablanca Huizhou and Huizhou Dongjiang in relation to the Construction
“Director(s)”	the director(s) of the Company
“Huizhou Dongjiang”	惠州市東江建築安裝工程有限公司 (Huizhou Dongjiang Construction and Installation Engineering Co., Ltd.*), a company established in the PRC with limited liability
“Huizhou Jianxun”	惠州市建迅工程造價諮詢有限公司 (Huizhou Jianxun Construction Cost Consultative Co., Ltd.*), a company established in the PRC with limited liability providing consulting services for construction projects
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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, the Macau Special Administrative Region of the People’s Republic of China 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
“Transaction”	the transaction contemplated under the Construction Agreement

“World Empire”

World Empire Investment Inc., a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder of the Company as at the date of this announcement

** for identification purpose only*

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

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

Hong Kong, 30 October 2020

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.