Casablanca Group Limited
卡撒天嬌集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2223)

2020 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

	Notes	**2020**	2019	Change
Revenue *(HK$'000)*		**309,279**	378,854	–18.4%
EBITDA *(HK$'000)*	*1*	**38,152**	56,309	–32.2%
Profit attributable to owners of the Company *(HK$'000)*		**16,129**	18,498	–12.8%
Gross profit margin		**62.0%**	60.4%	
EBITDA margin		**12.3%**	14.9%	
Net profit margin		**5.2%**	4.9%	
Earnings per share *(HK cents)*		**6.25**	7.16	–12.7%
Proposed final dividend per share *(HK cents)*		**10.00**	3.00	233.3%
Full-year dividend per share *(HK cents)*		**10.00**	5.00	100.0%

		As at 31/12/2020	As at 31/12/2019	Change
Total assets *(HK$'000)*		**510,573**	511,252	–0.1%
Total equity *(HK$'000)*		**424,793**	406,268	4.6%
Total bank borrowings *(HK$'000)*		**2,375**	6,432	–63.1%
Total bank balances and cash *(HK$'000)*		**194,629**	175,889	10.7%
Net cash *(HK$'000)*	*2*	**192,254**	169,457	13.5%
Gearing ratio	*3*	**0.6%**	1.6%	

Notes:

1. EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments.

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 2020 (the "Year" or the "Review Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*3*	**309,279**	378,854
Cost of goods sold		**(117,577)**	(150,078)
Gross profit		**191,702**	228,776
Other income	*4*	**12,372**	2,381
Other losses		**(1,502)**	(1,714)
Selling and distribution costs		**(136,462)**	(154,598)
Administrative expenses		**(45,598)**	(48,780)
Finance costs		**(1,173)**	(1,561)
Profit before taxation	*5*	**19,339**	24,504
Taxation	*6*	**(3,228)**	(6,886)
Profit for the year		**16,111**	17,618
Other comprehensive income (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		**10,040**	(3,112)
Release of translation reserve upon deregistration of a subsidiary		**(29)**	23
Other comprehensive income (expense)		**10,011**	(3,089)
Total comprehensive income for the year		**26,122**	14,529
Profit (loss) for the year attributable to:			
Owners of the Company		**16,129**	18,498
Non-controlling interests		**(18)**	(880)
		16,111	17,618
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**26,140**	15,432
Non-controlling interests		**(18)**	(903)
		26,122	14,529
Earnings per share	*8*		
— Basic (HK cents)		**6.25**	7.16
— Diluted (HK cents)		**6.23**	7.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**128,621**	131,417
Right-of-use assets		**32,573**	34,098
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**6,352**	738
Rental and other deposits		**1,617**	1,704
Deferred tax assets		**15**	4
		169,178	167,961
Current assets			
Inventories		**76,239**	89,935
Trade and other receivables	*9*	**62,386**	77,467
Financial assets at fair value through profit or loss		**5,244**	–
Taxation recoverable		**2,897**	–
Pledged bank deposits		**6,246**	7,146
Bank balances and cash		**188,383**	168,743
		341,395	343,291
Current liabilities			
Trade and other payables	*10*	**64,326**	73,570
Lease liabilities		**11,707**	11,109
Taxation payable		**933**	6,376
Bank borrowings		**2,375**	4,195
		79,341	95,250
Net current assets		**262,054**	248,041
Total assets less current liabilities		**431,232**	416,002
Non-current liabilities			
Bank borrowings		**–**	2,237
Lease liabilities		**5,814**	6,724
Deferred tax liabilities		**625**	773
		6,439	9,734
Net assets		**424,793**	406,268
Capital and reserves			
Share capital		**25,785**	25,843
Reserves		**399,008**	380,488
Equity attributable to owners of the Company		**424,793**	406,331
Non-controlling interests		**–**	(63)
Total equity		**424,793**	406,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the 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 (the "BVI"), 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Overview

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

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments to HKFRSs in the current year 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 the consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

(b) Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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 profit 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:

	2020 *HK$'000*	2019 *HK$'000*
Self-operated retail sales	**222,569**	234,702
E-sales	**30,485**	13,490
Sales to distributors	**24,815**	33,624
Others	**31,410**	97,038
	309,279	378,854

Entity-wide information

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

	2020 *HK$'000*	2019 *HK$'000*
Bed linens	**163,213**	195,992
Duvets and pillows	**127,892**	160,857
Other home accessories	**18,174**	22,005
	309,279	378,854

Geographical information

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

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong and Macau	**226,949**	265,880
PRC	**81,985**	106,438
Others	**345**	6,536
	309,279	378,854

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:

	2020 *HK$'000*	2019 *HK$'000*
PRC	**131,525**	125,766
Hong Kong	**36,021**	40,487
	167,546	166,253

Information about major customer

Revenue from customer contributing over 10% of total revenue of the Group during both years is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A[1]	**N/A[2]**	58,527

1 Revenue from sales of bed linens, duvets and pillows.
2 The corresponding revenue did not contribute over 10% of the total revenue of the Group for 2020.

4. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**829**	1,169
Government subsidies *(Note a)*	**9,971**	46
Investment income *(Note b)*	**53**	19
Others	**1,519**	1,147
	12,372	2,381

Notes:

(a) Government grants of HK$9,971,000 mainly included the COVID-19-related subsidies of HK$9,934,000, of which HK$8,614,000 relates to Employment Support Scheme provided by the Hong Kong government, HK$1,280,000 relates to Retail Sector Subsidy Scheme under Anti-epidemic Fund provided by the Hong Kong government and HK$40,000 relates to other COVID-19-related subsidies provided by the PRC government.

(b) These investments were entered into and matured during the years ended 31 December 2020 and 2019 with rate of returns ranged from 1.95% – 2.22% (2019: 1.96% – 2.16%) per annum.

5. PROFIT BEFORE TAXATION

	2020	2019
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' and chief executive's remuneration *(Note a)*	**12,594**	12,268
Other staff costs	**74,913**	80,452
Retirement benefit schemes contributions for other staff	**2,777**	5,390
Share-based payments for other staff	**28**	–
Total staff costs	**90,312**	98,110
Auditor's remuneration	**928**	941
Allowance for inventories (included in cost of goods sold)	**3,229**	839
Bad debts written off	**221**	318
Cost of inventories recognised as expenses	**114,348**	149,239
Depreciation of property, plant and equipment	**12,696**	13,830
Depreciation of right-of-use assets *(Note a)*	**15,369**	17,081
Expenses relating to short-term leases	**15,656**	17,787
Variable lease payments not included in the measurement of lease liabilities	**19,690**	20,713
Design costs (included in administrative expenses) *(Note b)*	**388**	657

Notes:

(a) The leases of directors' quarters provided to Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung were classified as the right-of-use assets. The depreciation of the right-of-use assets related to the directors' quarters for the year ended 31 December 2020 was HK$2,114,000 (2019: HK$2,114,000), which is included in both the directors' and chief executive's remuneration and depreciation of right-of-use assets. The rental payments paid to related companies for the year ended 31 December 2020 was HK$2,220,000 (2019: HK$2,220,000).

(b) The design costs comprise of staff salaries of HK$229,000 (2019: HK$286,000) for the year ended 31 December 2020, which are included in the staff costs disclosed above.

6. TAXATION

	2020 *HK$'000*	2019 *HK$'000*
Current tax		
Hong Kong	**2,709**	5,639
PRC Enterprise Income Tax ("EIT")	**915**	1,754
	3,624	7,393
Overprovision in prior years		
Hong Kong	**(240)**	(112)
PRC EIT	**3**	–
	(237)	(112)
	3,387	7,281
Deferred taxation	**(159)**	(395)
	3,228	6,886

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, during the years ended 31 December 2019 and 2020, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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%.

7. DIVIDENDS

	2020 *HK$'000*	2019 *HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim – Nil (2019: 2019 interim dividend HK$0.02 per share)	–	5,169
2019 Final – HK$0.03 per share (2019: Nil)	**7,753**	–
	7,753	5,169

No interim dividend was paid during the year.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK$0.10 (2019: HK$0.03) per ordinary share, in an aggregate amount of HK$25,785,000 (2019: HK$7,753,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**16,129**	18,498

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**258,165,267**	258,432,000
Effect of dilutive potential ordinary shares:		
Options	**612,478**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**258,777,745**	258,432,000

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**53,270**	61,803
Less: Loss allowance	**(6,099)**	(6,803)
Trade receivables, net	**47,171**	55,000
Bills receivables	**–**	5,487
Trade and bills receivables, net	**47,171**	60,487
Deposits	**4,397**	4,960
Prepayments	**4,188**	3,377
Value added tax recoverable	**3,478**	4,583
Advances to employees	**744**	968
Other receivables *(Note)*	**2,408**	3,092
	15,215	16,980
Total trade and other receivables	**62,386**	77,467

Note: Included in the amount is interest receivable of HK$36,000 (2019: HK$168,000).

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 and bills receivables net of loss allowance presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**32,397**	33,531
31 to 60 days	**6,687**	17,241
61 to 90 days	**6,487**	6,995
91 to 180 days	**1,130**	1,526
181 to 365 days	**339**	819
Over 365 days	**131**	375
	47,171	60,487

For sale 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.

10. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**19,011**	21,733
Bills payables	**22,235**	27,098
Trade and bills payables	**41,246**	48,831
Deposits received	**2,574**	2,739
Accrued expenses	**9,713**	7,823
Salaries payables	**8,520**	10,140
Payable for acquisition of property, plant and equipment	**798**	2,116
Other payables	**1,475**	1,921
	23,080	24,739
Total trade and other payables	**64,326**	73,570

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.

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**15,352**	28,180
31 to 60 days	**16,444**	10,500
61 to 90 days	**7,247**	6,970
91 to 180 days	**2,086**	2,471
Over 180 days	**117**	710
	41,246	48,831

11. CONTINGENT LIABILITIES

The Company and two of its subsidiaries are defendants in a litigation involving the alleged copyright infringement. In the opinion of the directors, based on legal advice, it is difficult in the usual course of the litigation to predict the exposure to the Group since the litigation is at early stage. In the opinion of the directors, based on legal advice, the exposure in the event of failure to defend the case is estimated not to be material to the Group, assuming that there is no damage for loss of goodwill caused to the plaintiff or its brand names.

12. EVENT AFTER THE REPORTING PERIOD

The COVID-19 pandemic since early 2020 has impacted the global business and economic environment. For the financial year ended 31 December 2020, the impact of COVID-19 has been reflected in this set of consolidated financial statements. As the situation is still evolving and will be affected by the degree to which governments are able to contain the spread of the virus in countries where the Group operates, the full impact of the COVID-19 pandemic on the Group's performance for the financial year ending 31 December 2021 could not be reasonably ascertained when this set of consolidated financial statements was authorised for issuance.

The Group and the Company are taking steps to proactively manage the businesses and take the necessary actions to ensure that the long-term business prospects of the Group and the Company remain stable.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW/ RETAIL MARKET UNDER THE PANDEMIC

The global outbreak of COVID-19 in 2020, coupled with intense and complicated international relations, has had a detrimental impact on consumer confidence in the Greater China Region. During the early stages of the COVID-19 outbreak in the first half of 2020, the lockdowns in many cities in Mainland China and the sudden drop in economic activity caused the manufacturing industrial chain and the consumer market to be particularly hard hit. With regard to Hong Kong, the COVID-19 pandemic remained very volatile. With advice from the government and medical experts for citizens to avoid public places and to work from home, as well as various restrictions implemented by the Hong Kong government in response to the pandemic, most sectors were severely affected. Although the Hong Kong government launched various relief measures during the period, the retail consumer market remained sluggish. While store rents and shopping mall fees were granted an uncommon downward adjustment under the pandemic, the operating costs of offline retail businesses remained high. In addition, department stores and retail enterprises frequently launched promotional events in order to boost foot traffic.

BUSINESS REVIEW

There was no material change in the Group's operational and segmental information following the publication of the annual report for the year ended 31 December 2019. It is, however, noteworthy that e-sales had a strong growth and its contribution has come to account for a considerable percentage of the total sales. As such, the Group categorised and presented e-sales independently among the revenue by channels with effect from 1 January 2020 and the interim report for the six months ended 30 June 2020 so as to better reflect its current business status. The revenue by channels in 2019 has also been reclassified and presented as a comparison to that in the Review Period. In prior periods, e-sales were included under self-operated retail sales and sales to others.

During the Review Period, the revenue of the Group amounted to HK$309.3 million, down by 18.4% compared to the HK$378.9 million for the corresponding period of 2019. Profit attributable to owners of the Company for the Review Period was HK$16.1 million, down by 12.8% compared to profit of HK$18.5 million for the corresponding period of 2019. Taking into account the subsidies received from the governments of Hong Kong and Mainland China in relation to COVID-19, the decrease in profit attributable to owners of the Company for the Review Period was mainly due to (a) the decline of sales, which, in turn, was attributable to: (i) COVID-19 outbreak in Hong Kong and Mainland China since early 2020, imposing adverse impacts on self-operated and distributor-run retail business and leading to reduction in number of retail point-of-sales ("POS") in Mainland China; and (ii) the decline of wholesale business, despite the significant increase in e-sales resulted from the notable change in shopping habits of consumers, especially for those in Hong Kong, to e-commerce channels, and (b) increased provisions for impairment on right-of-use assets and inventories.

Adjustment in Sales Channels

Affected by the COVID-19 pandemic, the shopping habits of consumers notably turned to e-commerce channels in 2020. In particular, Hong Kong consumers have become more accepting than ever regarding purchasing bedding products online, which has aligned with the Group's earlier investment in developing e-sales. With regard to the Hong Kong market, in addition to products offered exclusively online and monthly discounts for members of its official eShop in Hong Kong ("HK Official eShop"), the Group also launched periodic flash sale events and themed promotional campaigns to entice consumers into keeping a close eye on the latest developments of the HK Official eShop. During the Review Period, the Group completed the upgrade of the back-end system of the HK Official eShop, improved database management, optimised customer relationship management and analysis, and launched online and offline universal cash coupons to foster synergies for the online and offline businesses. In addition, the Group's efforts to expand the sales of its products on major online retail platforms in Hong Kong, including optimising its product portfolio and collaborating with other brands on the online platforms to promote its products, have all gained support from consumers. During the Review Period, the revenue contribution of the online sales business in Mainland China also improved significantly. The main strategies included improving customer service and delivery efficiency, expanding the online exclusive product portfolio, and strictly controlling promotion expenses. In addition to selling products on well-known online shopping platforms, the Group also offered membership point redemption schemes on online shopping platforms, generating sales while serving as another form of promotion.

Compared to the early stage of the COVID-19 outbreak from January to March 2020, the Group's retail sales in Hong Kong had shown an upward trend from April to October 2020 due to the gradual improvement in consumer sentiment. Even though Hong Kong had again recorded a rapid rebound in the number of confirmed cases of COVID-19 from mid-November 2020, fortunately, the Group's Hong Kong retail business was still able to record better than expected sales performance during November to December 2020 as it was the traditional peak season for sales. However, due to the COVID-19 pandemic and the closure of some self-operated POS in Mainland China, the total self-operated retail sales of the Group during the Review Period decreased as compared to the same period in 2019.

As of 31 December 2020, the Group had a total of 197 physical POS (31 December 2019: 229), among which 106 were self-operated POS and 91 were distributor-operated POS, covering a total of 49 cities in the Greater China Region. In the face of the retail market being severely hit by the pandemic and the persistently high operating costs of physical stores in Mainland China, the Group had a net reduction of 20 self-operated POS with lower-than-expected profitability in Mainland China during the Review Period. The Group had a net increase of 1 POS in Hong Kong in response to the demand of new housing acquisitions in key areas. Facing the same challenges of pandemic and high costs, distributors in Mainland China also had a net reduction of 13 POS, while the number of POS in Macau remained unchanged.

During the Review Period, the economic downturn in various countries and the lockdowns in many cities due to the COVID-19 pandemic led to a suspension of orders from the Group's export customers. In addition, the suspension of large-scale exhibitions in various industries further impeded the Group's export business. Orders from commercial customers in the Greater China Region have become the primary source of revenue for the wholesale business. During the Review Period, the Group offered items to various commercial customers as free gifts and as part of point redemption schemes. These customers included electrical appliance chain stores, public utility companies, telecommunication network providers, banks, infant and health food brands and electrical appliance brands, and the Group also provided original equipment manufacturing (OEM) products for various customers.

Enhanced Product Mix

The Group adhered to the core concept of "Contemporary, Innovative and Functional" in product design, and is committed to providing quality products and attentive customer service. It has also continued to develop products that embody green concepts and health enhancing functions, striving to become consumers' "Healthy Sleeping Expert". In response to the development of the pandemic during the Review Period, customers were more aware of bedding products with health enhancing functions, and the Group enhanced the promotion of its "CASA-V" brand products which offer 5A features, namely air purification, anti-bacterial, anti-mould, anti-mites and anti-odour. In addition, in reaction to increasing environmental awareness among consumers, the Group launched the Royal Dragonfly Quilt (御蜓暖芯被) in 2020, which combines high-quality, environmentally friendly plant fibre from SUSTANS®, processed with the SORONA® technology of DuPont™ from the United States, and 3M™ Vibrant Silk series (柔彩絲系列) bed linens, which use 3M™ Scotchgard™ 50% Tencel fabric (半天絲). Both products are made of materials that can be easily cleaned and degraded in nature to reduce harm to the environment and effectively promote the concept of green living.

From time to time, the Group brings products made of innovative materials to the market. During the Review Period, the Group launched the Deluxe Tencel & Silk Washable Quilt (尊貴雙絲水洗被), which is stuffed with 100% premium mulberry silk and made from Tencel, a natural fabric created from wood pulp fibres that has a smooth texture and can be easily cleaned. In addition, the Group provided recommendations for VOSSEN, an Austrian brand that offers quality sanitary and bathroom products. This led to the launch of an exclusive Asian range of products suited to the climate and usage habits of consumers in the Greater China Region, with the Group becoming the brand's exclusive agent within the Greater China Region – offering quality towel products that cater for the humid weather of the Asian market.

The Group owns product licences for a number of popular brands and cartoons, including "Coca-Cola", "BT21", "Kakao Friends", "Chibi Maruko Chan", "Pokemon", "Mr. Men & Little Miss", "B. Duck", "Squly & Friends" and "Minions", providing consumers with a more diversified choice of cartoon products. During the Review Period, the Group launched special edition products for the 40th anniversary of "PAC-MAN" and the 70th anniversary of the "PEANUTS" comic, which were both well-received by consumers. To support local creators, the Group launched licenced "Happiplayground" products, which were designed by a Hong Kong illustrator, during the Review Period.

Strengthened Brand Leadership

In response to the increased levels of environmental pollution in recent years and the current COVID-19 outbreak, the Group focused on promoting its 5A-feature "CASA-V" brand products in 2020. This was done primarily through social media, via platforms including Facebook, Instagram and WeChat, where it also provided more information on bedding product maintenance and cleaning to help consumers maintain a healthy and comfortable sleeping environment. Meanwhile, the Group strengthened its image as a "Healthy Sleeping Expert" by sharing information on calculating thread count and assisting consumers in selecting the most suitable bedding products. In addition, the Group has enhanced consumer engagement through prize giveaways and games on Facebook and has increased its use of short videos featuring popular artists or internet celebrities in order to promote its brand philosophy and products in tandem with market trends, with the aim of attracting the attention of a younger demographic. In May 2020, the Group launched the "In Love With Sleep" brand promotion campaign on television and its official Facebook page. Combining movie-style television advertisements, online video clips and posters, the campaign attracted the attention of consumers and successfully fuelled online and offline sales of the Group's flagship products.

Through joint promotion with various organisations or brands, the Group has been able to increase brand awareness among fans of both parties and encourage further consumption. At the beginning of 2020, HK Official eShop collaborated with a Hong Kong television channel targeting the youth market for the first time, offering premium discounts to its members. In addition, the Group provided exclusive discounts to the subscribing members of a well-known parenting discussion forum so as to enhance the popularity of its bedding products for babies among new parents. During the Year, the Group designed several virtual bedding products for the popular game "Animal Crossing: New Horizons" available for free download, motivating a large number of players to purchase the same bedding products in reality. The Group also set up short-term themed pop-up stores in department stores and shopping malls during the Review Period, so as to draw consumers' attention to the Group's key products and enhance its brand image.

The Group is committed to providing consumers with quality bedding products and has been widely recognised by the market as a result. During the Review Period, in addition to the "Readers'Choice Awards 2020 – Best Bedding & Linen (Silver)" awarded by *Expat Living* and the "U Green Awards – Excellence of Environmental Contribution Award (Bedding Products)" presented by *U Magazine* for the fifth time, the Group was also authorised to use the "Seal of Cotton" trademark and the "Cotton LEADS℠" label by "Cotton Incorporated", an organisation jointly established by upland cotton manufacturers and cotton goods importers in the United States, proving that the Group's products were made of high-quality and environmentally sustainable cotton.

PROSPECTS

Looking ahead to 2021, the market expects the COVID-19 pandemic will soon be under effective containment following the development of several vaccines, helping economies across the globe to get back on track and boost consumer confidence. It is also expected that the change of the President of the United States could temporarily ease the tense international relations and improve the trade relations between China and the United States. However, the economic outlook of the Greater China Region remains rather uncertain due to the rapid emergence of new COVID-19 variants alongside anxious international relations. Facing this difficult period of retail business operations in both Mainland China and Hong Kong, the Group will actively develop new sources of income, reduce expenditure, seize opportunities brought by the accelerated development of the online shopping boom, strive to expand the sales of e-commerce and commercial customers, and focus on the development of “CASA-V” brand 5A-feature bedding alongside other bedding products with health enhancing functions and high quality materials, thereby enhancing the value of the Group’s brand.

Mainland China

In terms of sales channels, online sales in Mainland China will be one of the Group’s key areas of development. Following a review of the operational experience of the online sales business in Mainland China over previous years, the Group will strengthen the analysis of customer opinions in 2021, in addition to optimising the product portfolio to provide products that are more in line with consumer expectations. Meanwhile, the Group will increase personnel training and stabilise the team structure to improve the quality of customer service. With the aim of increasing revenue and reducing expenditure, the Group will look to expand the e-sales business to more online shopping platforms and improve its pricing plan. In terms of offline self-operated POS, in addition to further adjusting regional POS distribution, the Group will also review and optimise its product portfolio, product pricing and personnel training, so as to improve the sales revenue and profitability of individual stores. In terms of sales to distributors, in addition to supporting existing distribution customers, the Group plans to participate in the Shenzhen Gift Fair when conditions permit, in order to promote the development of cooperative customer groups, collect customer information and arrange follow-ups.

To keep pace with the consumption upgrade in the Mainland China market in recent years, the Group has increased the proportion of imported goods sold in Mainland China and researched and developed more luxurious bedding products with simple designs with a view to increasing its penetration in the high-end market. With consumers’ increasing awareness of healthy lifestyles and environmental protection, the Group continues to research and develop products with 5A-feature and the use of technological materials.

In view of the Group’s increase in product research and development and production capacity demand, the Group commenced construction on phase II of the Casablanca Industrial Park in Huizhou in December 2020. The main focus of phase II is the construction of the new factory building B, which is expected to be four floors high and have a total construction area of 23,294.4 square metres, comprising production facilities, a research and development centre, offices, showrooms, training rooms and conference rooms. Phase II construction is expected to be completed in about one year's time. By adding new production facilities (especially for research and development) and providing more space for offices, showrooms, training rooms and conference rooms, this expansion project will optimise the Group's production and marketing capacities, and is expected to benefit the Group's operations and development in the future.

Hong Kong

In terms of sales channels, the majority of the Group's physical POS in Hong Kong have been operating for a certain period of time and have established good relationships with consumers in the region. It is therefore expected that the current structure of physical POS in Hong Kong will remain stable. The Group will continue to strive for diversified business opportunities among commercial customers, such as providing products as free gifts or redemption schemes in various forms and online shopping rebates. Moreover, the Group will proactively seek cooperation with new customers such as personal care product brands, cosmetic brands, supermarkets, chain food stores and major home appliance brands. The Group will also make greater effort to develop e-sales, including the launch of more online exclusive products and exclusive online discounts. In addition to HK Official eShop and the online stores operated by the Group on well-known local online shopping platforms, the Group will also expand the online penetration of its products through short-term promotions or the opening of online stores on more online shopping platforms.

In terms of products, the Group will continue its research and development of products that embody green concepts and health enhancing properties in 2021. In addition to the continuous promotion of bedding products with 5A-feature, the Group will also launch products made using various new technologies and materials under the theme of "The Art of Textiles". Furthermore, the Group will continue to expand its licensed cartoon product portfolio by including its own pet cartoon designs, local original cartoons, and famous Japanese anime characters to further enhance the market share of the Group's brands in Hong Kong.

With respect to logistics, in order to accommodate business development, the Group's warehouses in Hong Kong will commence full use of radio frequency identification technology in the second quarter of 2021. This will greatly shorten the duration of the goods to and from warehouses in Hong Kong and speed up daily logistics processing while also helping to reduce human miscalculation and delivery errors, thereby significantly improving the operational efficiency of the Group's business in Hong Kong.

Over the past few years, the Group has intensified its efforts in online promotion, which has successfully increased the Group's brand awareness among young people in Hong Kong. The Group will continue to enhance its online promotional content and increase interaction with consumers, while actively seeking opportunities to promote its brands in shopping malls or department stores, including pop-up stores and themed exhibitions, in order to capture the interest of consumers with different shopping habits.

Adhering to the design concept of "Contemporary, Innovative and Functional", the Group will continue its endeavour to provide consumers with quality bedding products that are fashionably designed and reasonably priced, and home accessories that are trendy yet practical. The Group will also continue to broaden revenue streams and enhance its brand value to bring satisfactory returns to shareholders in the long run.

FINANCIAL REVIEW

Revenue

During the Year, the Group recorded revenue of HK$309.3 million (2019: HK$378.9 million), representing a decrease of 18.4%. The decrease in revenue was primarily attributable to the decline of sales, which, in turn, was attributable to: (i) the COVID-19 outbreak in Hong Kong and Mainland China since early 2020, imposing adverse impacts on self-operated and distributor-run retail business and leading to reduction in number of retail POS in Mainland China, and (ii) the decline of wholesale business, despite the significant increase in e-sales resulted from the notable change in shopping habits of consumers, especially for those in Hong Kong, to e-commerce channels during the Year.

Breakdown of revenue by channels:

	2020		2019		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Self-operated retail sales						
Self-operated concession counters	**162,329**	**52.5%**	174,948	46.2%	(12,619)	–7.2%
Self-operated retail stores	**60,240**	**19.5%**	59,754	15.8%	486	0.8%
Sub-total for self-operated retail sales	**222,569**	**72.0%**	234,702	62.0%	(12,133)	–5.2%
E-sales	**30,485**	**9.9%**	13,490	3.5%	16,995	126.0%
Sales to distributors	**24,815**	**8.0%**	33,624	8.9%	(8,809)	–26.2%
Others *(Note)*	**31,410**	**10.1%**	97,038	25.6%	(65,628)	–67.6%
Total	**309,279**	**100.0%**	378,854	100.0%	(69,575)	–18.4%

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

Self-operated retail sales for 2020 accounted for 72.0% of the total revenue and represented a decrease of 5.2% as compared to 2019. The decrease in self-operated retail sales for 2020 was primarily due to adverse impacts on self-operated retail business by COVID-19 throughout the Year leading to reduction in number of self-operated retail POS in Mainland China. Revenue from e-sale recorded a significant increase of 126.0% as compared to 2019 because many consumers shifted to online shopping under various COVID-19 restrictions. The decrease in sales to distributors for 2020 was attributable to distributors in both Mainland China and Macau encountering same adverse impacts by COVID-19 as our self-operated retail business. With significant decreases in sales to wholesale customers and export sales during the Year, sales to others for 2020 recorded a significant decrease of 67.6% as compared to 2019.

Breakdown of revenue by brands:

	2020		2019		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Proprietary brands	**262,901**	**85.0%**	334,888	88.4%	(71,987)	–21.5%
Licensed and authorized brands	**46,378**	**15.0%**	43,966	11.6%	2,412	5.5%
Total	**309,279**	**100.0%**	378,854	100.0%	(69,575)	–18.4%

Casablanca, Casa Calvin and CASA-V are our major proprietary brands. The decrease of 21.5% in sales of proprietary brands was attributable to the decrease in sales during the Year. Sales of our licensed and authorized brands for 2020 increased by 5.5% due to launching of more licensed and authorized brands products and more promotional offers, especially for e-sales, during the Year.

Breakdown of revenue by products:

	2020		2019		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Bed linens	**163,213**	**52.8%**	195,992	51.7%	(32,779)	–16.7%
Duvets and pillows	**127,892**	**41.3%**	160,857	42.5%	(32,965)	–20.5%
Others *(Note)*	**18,174**	**5.9%**	22,005	5.8%	(3,831)	–17.4%
Total	**309,279**	**100.0%**	378,854	100.0%	(69,575)	–18.4%

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

Bed linens and duvets and pillows are major products of the Group. The increase in e-sales of bed linens and duvets and pillows for 2020 was unable to offset the decreases in sales of them under self-operated retail sales and sales to distributors and others during the Year. The decrease in sales of others for 2020 was due to less furniture sold during the Year.

Breakdown of revenue by geographic regions:

	2020		2019		Change	
		% of		*% of*		
	HK$'000	***Total***	*HK$'000*	*Total*	*HK$'000*	*%*
Hong Kong & Macau	**226,949**	**73.4%**	265,880	70.2%	(38,931)	–14.6%
Mainland China	**81,985**	**26.5%**	106,438	28.1%	(24,453)	–23.0%
Others *(Note)*	**345**	**0.1%**	6,536	1.7%	(6,191)	–94.7%
Total	**309,279**	**100.0%**	378,854	100.0%	(69,575)	–18.4%

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

Revenue from Hong Kong and Macau decreased by 14.6% primarily due to the significant decrease in sales to wholesale customers in Hong Kong. The decrease of 23.0% in revenue from Mainland China was attributable to decreases in self-operated retail sales, sales to distributors and wholesale customers in Mainland China. Revenue from others significantly decreased since most of our export customers put orders on hold under the impact of COVID-19.

Gross Profit and Gross Profit Margin

Gross profit of HK$191.7 million for 2020 decreased by 16.2% as compared to HK$228.8 million for 2019. The gross profit margin for 2020 was 62.0% which was higher than 60.4% for 2019 and mainly due to the increase in proportion of self-operated retail sales for 2020 at higher margin.

Other Income

Other income for the Year increased by 419.6% to HK$12.4 million (2019: HK$2.4 million). The increase was mainly due to subsidies of HK$10.0 million (2019: HK$0.1 million) received from governments of Hong Kong and Mainland China primarily in relation to COVID-19 during the Year.

Other Losses

Other losses for the Year amounted to HK$1.5 million (2019: HK$1.7 million), mainly representing impairment loss, loss on disposal and written off of property, plant and equipment of HK$1.2 million in total (2019: HK$0.5 million), impairment loss of right-of-use assets of HK$1.6 million (2019: nil) and written off of a trade deposit of HK$0.5 million (2019: nil) offsetting the net exchange gain of HK$1.5 million (2019 net exchange loss: HK$0.7 million) and net reversal of loss allowance on trade receivables of HK$0.2 million (2019 loss allowance: HK$0.5 million).

Operating Expenses

Selling and distribution costs for 2020 decreased by 11.7% to HK$136.5 million (2019: HK$154.6 million). The decrease was mainly due to decreases in staff and related expenses, advertising and marketing expenses and depreciation on right-of-use assets.

Administrative expenses for 2020 decreased by 6.5% to HK$45.6 million (2019: HK$48.8 million). The decrease was primarily due to decreases in entertainment, travelling expenses and legal and professional fee for the Year.

Taxation

The Group's effective tax rate for 2020 was 16.7% as compared to 28.1% for 2019. The effective tax rate for 2020 was calculated with non-taxable subsidies and gains offsetting against operation losses of subsidiaries in Mainland China and other non-tax deductible expenses. Had these subsidies, operation losses, the share-based payments, the loss allowance on trade and other receivables and the exchange gain or loss for 2020 and 2019 been excluded, the adjusted effective tax rate would be approximately 16.9% for both 2020 and 2019.

Profit for the Year

Profit attributable to owners of the Company for 2020 was HK$16.1 million, representing a decrease of 12.8% when compared to HK$18.5 million for 2019. Reasons for the decrease in profit for 2020, even with subsidies received from governments of Hong Kong and Mainland China in relation to COVID-19, were mainly attributable to (a) the decline of sales, which, in turn, was attributable to: (i) the COVID-19 outbreak in Hong Kong and Mainland China since early 2020, imposing adverse impacts on self-operated and distributor-run retail business and leading to reduction in number of retail POS in Mainland China, and (ii) the decline of wholesale business, despite the significant increase in e-sales resulted from the notable change in shopping habits of consumers, especially for those in Hong Kong, to e-commerce channels; and (b) increased provisions for impairment on right-of-use assets and inventories.

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments. EBITDA for 2020 decreased by 32.2% to HK$38.2 million (2019: HK$56.3 million) which was primarily attributable to the decrease in sales for the Year.

Major Operating Efficiency Ratios

	2020	2019
Inventory turnover *(days)*	**257.9**	228.0
Trade and bills receivables turnover *(days)*	**63.5**	61.4
Trade and bills payables turnover *(days)*	**139.8**	155.6

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 reason for inventory turnover for 2020 increased to 257.9 days from 228.0 days for 2019 was due to higher opening inventory of the Year. The inventory at 31 December 2020 decreased by 15.2% to HK$76.2 million from HK$89.9 million at 31 December 2019 with less both raw materials and finished goods kept at 31 December 2020.

Trade and bills receivables turnover

The trade and bills receivables turnover is equal to the average of opening and closing trade and bills receivables divided by total sales for the year and multiplied by 365 days. With the decrease in sales for 2020, the trade and bills receivables turnover for 2020 slightly increased to 63.5 days from 61.4 days for 2019 despite the decrease of 22.0% in trade and bills receivables of HK$47.2 million at 31 December 2020 from HK$60.5 million at 31 December 2019.

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 bills payables turnover for 2020 decreased to 139.8 days from 155.6 days for 2019 with the decrease of 15.5% in trade and bill payables of HK$41.2 million at 31 December 2020 from HK$48.8 million at 31 December 2019.

Liquidity and Capital Resources

The gearing structure is set out below:

	As at 31 December	
	2020	2019
Total bank borrowings	**2,375**	6,432
Pledged bank deposits and bank balances and cash	**194,629**	175,889
Net cash	**192,254**	169,457
Total assets	**510,573**	511,252
Total liabilities	**85,780**	104,984
Total equity	**424,793**	406,268

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 repayment of the cross-border intergroup loan subject to exchange exposure.

Even reserving cash for full settlements of capital commitments of HK$48.8 million and bank borrowings of HK$2.4 million at 31 December 2020, the Group would still have available net cash over HK$140.0 million as at 31 December 2020 which will be sufficient for its present operations in absence of unforeseen circumstances.

Current ratio

The Group's total current assets and the total current liabilities at 31 December 2020 decreased to HK$341.4 million (2019: HK$343.3 million) and to HK$79.3 million (2019: HK$95.3 million) respectively. As a result, the current ratio increased to 4.3 as at 31 December 2020 from 3.6 as at 31 December 2019.

Gearing ratio

Gearing ratio is calculated as total borrowings divided by total equity at the end of the year. As at 31 December 2020, the gearing ratio was only 0.6% (2019: 1.6%) with the bank borrowings decreased by HK$4.1 million in Mainland China when the total equity also increased by HK$18.5 million. The Group was at net cash position at 31 December 2020 as well as 31 December 2019.

Pledge of assets

As at 31 December 2020, no leasehold land and buildings were pledged to banks as securities for banking facilities granted to the Group (2019: Nil). The Group had pledged only its fixed deposits with an aggregate value of HK$6.2 million (2019: HK$7.1 million) to certain banks in Hong Kong and Mainland China to secure banking facilities granted to the Group at 31 December 2020.

Capital expenditures

During the Year, the Group invested HK$4.9 million (2019: HK$19.7 million) mainly for acquisition of properties, leasehold improvements and equipment and construction of the new factory building B under phase II of Casablanca Industrial Park under the construction agreement (the "Construction").

Capital commitments

As at 31 December 2020, the Group had capital commitments of approximately HK$48.8 million (2019: HK$1.5 million) of which mainly an amount of about HK$47.4 million related to the cost of the Construction with payments subject to the progress of the Construction.

Contingent Liabilities

The Company and two of its subsidiaries in Hong Kong are defendants in a litigation involving an alleged copyright infringement in Hong Kong. Based on legal advice, it is difficult in the usual course of such litigation to predict the exposure to the Group at this early stage pending for a case management conference to be heard by the High Court on 12 April 2021.

Based on legal advice on preliminary assessment, the exposure in the event of failure to defend the case is estimated not to be material to the Group, assuming that there is no damage for loss of goodwill caused to the plaintiff or its brand names. The Board considers that the alleged claim would not bring any material adverse effect to the business operation and financial position of the Group.

DIVIDEND

Despite the capital commitments of HK$48.8 million, which mainly related to the Construction, the Group would still have available net cash over HK$140.0 million after reserving cash for full settlements of capital commitments and bank borrowings at 31 December 2020. The Board has considered the ample cash currently available on hand and resolved to recommend the payment of a final dividend of HK$0.10 per ordinary share of HK$0.10 each issued by the Company (the "Share") for the year ended 31 December 2020 (2019: HK$0.03 per Share) to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 3 June 2021. Without an interim dividend (2019: HK$0.02 per Share), the total dividend for the Year amounts to HK$0.10 per Share (2019: HK$0.05 per Share), representing about 160.0% of this year's basic earnings per share of HK$0.0625 (2019: HK$0.0716).

Subject to approval by the Shareholders at the forthcoming annual general meeting to be held on Friday, 21 May 2021, the final dividend will become payable on Thursday, 17 June 2021.

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

During the Year, the Company repurchased a total of 578,000 (2019: nil) Shares on the Stock Exchange at an aggregated consideration of approximately HK$370,470 (before brokerage and related expenses). Details of the repurchase of such Shares are as follows:

Month of repurchase	Number of Shares repurchased	Highest price per Share *(HK$)*	Lowest price per Share *(HK$)*	Approximate aggregate consideration *(HK$)*
July 2020	578,000	0.66	0.47	370,470
Total	**578,000**			**370,470**

All the above repurchased Shares had been cancelled on 13 August 2020. The above repurchase was effected by the Directors pursuant to the mandate approved by Shareholders at the annual general meeting on 25 May 2020, with a view to benefiting Shareholders as a whole in enhancing the return on net assets and earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2020 is scheduled to be held on Friday, 21 May 2021 (the "AGM"). A notice convening the AGM will be issued and disseminated to Shareholders of the Company in due course.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the forthcoming 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, 14 May 2021.

For determining the entitlement of the proposed final dividend, the register of members of the Company will also be closed from Tuesday, 1 June 2021 to Thursday, 3 June 2021 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to qualify for the proposed final dividend, 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 Monday, 31 May 2021.

CORPORATE GOVERNANCE PRACTICES CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 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 ended 31 December 2020.

None of the Directors is aware of any information which would reasonably indicate that the Company has not, for any part of the year ended 31 December 2020, complied with the code provisions as set out in 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 2020.

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 2020 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.

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

Hong Kong, 26 March 2021

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.