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CASABLANCA®
HOME

Casablanca Group Limited
卡撒天嬌集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2223)

2021 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

	Notes	**2021**	2020	Change
Revenue *(HK$'000)*		**320,403**	309,279	3.6%
EBITDA *(HK$'000)*	*1*	**41,110**	38,152	7.8%
Profit attributable to owners of the Company *(HK$'000)*		**11,936**	16,129	–26.0%
Gross profit margin		**61.3%**	62.0%	
EBITDA margin		**12.8%**	12.3%	
Net profit margin		**3.7%**	5.2%	
Earnings per share *(HK cents)*		**4.63**	6.25	–25.9%
Proposed final dividend per share *(HK cents)*		**–**	10.00	–100.0%
Full-year dividend per share *(HK cents)*		**5.00**	10.00	–50.0%

		As at 31/12/2021	As at 31/12/2020	Change
Total assets *(HK$'000)*		**522,259**	510,573	2.3%
Total equity *(HK$'000)*		**404,718**	424,793	–4.7%
Total bank borrowings *(HK$'000)*		**3,980**	2,375	67.6%
Total bank balances and cash *(HK$'000)*		**142,335**	194,629	–26.9%
Net cash *(HK$'000)*	*2*	**138,355**	192,254	–28.0%
Gearing ratio	*3*	**1.0%**	0.6%	

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 2021 (the "Year" or the "Review Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	3	**320,403**	309,279
Cost of goods sold		**(124,029)**	(117,577)
Gross profit		**196,374**	191,702
Other income	4	**1,457**	12,372
Other gains/(losses)		**843**	(1,502)
Selling and distribution costs		**(138,333)**	(136,462)
Administrative expenses		**(43,738)**	(45,598)
Finance costs		**(902)**	(1,173)
Profit before taxation	5	**15,701**	19,339
Taxation	6	**(3,765)**	(3,228)
Profit for the year		**11,936**	16,111
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		**6,667**	10,040
Release of translation reserve upon deregistration of a subsidiary		**–**	(29)
Other comprehensive income		**6,667**	10,011
Total comprehensive income for the year		**18,603**	26,122
Profit for the year attributable to:			
Owners of the Company		**11,936**	16,129
Non-controlling interests		**–**	(18)
		11,936	16,111
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**18,603**	26,140
Non-controlling interests		**–**	(18)
		18,603	26,122
Earnings per share			
— Basic *(HK cents)*	8	**4.63**	6.25
— Diluted *(HK cents)*		**4.60**	6.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**180,317**	128,621
Right-of-use assets		**37,874**	32,573
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**296**	6,352
Rental and other deposits		**2,290**	1,617
Deferred tax assets		**96**	15
		220,873	169,178
Current assets			
Inventories		**85,804**	76,329
Trade and other receivables	*9*	**65,442**	62,386
Financial assets at fair value through profit or loss		**7,349**	5,244
Taxation recoverable		**456**	2,897
Pledged bank deposits		**7,213**	6,246
Bank balances and cash		**135,122**	188,383
		301,386	341,395
Current liabilities			
Trade and other payables	*10*	**91,585**	64,326
Lease liabilities		**11,536**	11,707
Taxation payable		**736**	933
Bank borrowings		**3,980**	2,375
		107,837	79,341
Net current assets		**193,549**	262,054
Total assets less current liabilities		**414,422**	431,232
Non-current liabilities			
Lease liabilities		**9,165**	5,814
Deferred tax liabilities		**539**	625
		9,704	6,439
Net assets		**404,718**	424,793
Capital and reserves			
Share capital		**25,785**	25,785
Reserves		**378,933**	399,008
Total equity		**404,718**	424,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 (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 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the 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.

(b) Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 January 2021. During the year, certain lessors agreed to reduce lease payments on several leases in properties beyond 30 June 2021. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulted in a decrease in lease liabilities of HK$107,000, which have been recognised as variable lease payments in profit or loss for the current year.

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:

	2021	2020
	HK$'000	*HK$'000*
Self-operated retail sales	**226,936**	222,569
E-sales	**30,900**	30,485
Sales to distributors	**29,573**	24,815
Others	**32,994**	31,410
	320,403	309,279

Entity-wide information

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

	2021	2020
	HK$'000	*HK$'000*
Bed linens	**167,311**	163,213
Duvets and pillows	**134,844**	127,892
Other home accessories	**18,248**	18,174
	320,403	309,279

Geographical information

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

	2021	2020
	HK$'000	*HK$'000*
Hong Kong and Macau	**236,672**	226,949
PRC	**82,482**	81,985
Others	**1,249**	345
	320,403	309,279

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:

	2021	2020
	HK$'000	*HK$'000*
PRC	**182,056**	131,525
Hong Kong	**36,431**	36,021
	218,487	167,546

Information about major customer

For the year ended 31 December 2021, revenue from transactions with each external customer is less than 10% (2020: less than 10%) of the total revenue of the Group.

4. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**360**	829
Dividend income	**439**	–
Government subsidies *(Note a)*	**47**	9,971
Investment income *(Note b)*	**–**	53
Others	**611**	1,519
	1,457	12,372

Notes:

(a) For the year ended 31 December 2020, 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 year ended 31 December 2020 with rate of returns ranged from 1.95% – 2.22% per annum.

5. PROFIT BEFORE TAXATION

	2021	2020
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**85,810**	86,416
Retirement benefit schemes contributions	**5,981**	2,777
Share-based payments	**–**	445
Total staff costs	**91,791**	90,312
Auditor's remuneration	**971**	928
Allowance for inventories (included in cost of goods sold)	**4,167**	3,229
Bad debts written off	**39**	221
Cost of inventories recognised as expenses	**119,862**	114,348
Depreciation of property, plant and equipment	**11,317**	12,696
Depreciation of right-of-use assets	**15,490**	15,369
Expenses relating to short-term leases	**15,593**	15,656
Variable lease payments not included in the measurement of lease liabilities	**19,555**	19,690
Design costs (included in administrative expenses) *(Note)*	**565**	388

Note: The design costs comprise of staff salaries of HK$300,000 (2020: HK$229,000) for the year ended 31 December 2021, which are included in the staff costs disclosed above.

6. TAXATION

	2021	2020
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**3,367**	2,709
PRC Enterprise Income Tax ("EIT")	**625**	915
	3,992	3,624
Overprovision in prior years		
Hong Kong	**(60)**	(240)
PRC EIT	**–**	3
	(60)	(237)
	3,932	3,387
Deferred taxation	**(167)**	(159)
	3,765	3,228

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 2020 and 2021, 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 2020 and 2021.

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

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2021	2020
	HK$'000	*HK$'000*
2021 Interim – HK$0.05 per share (2020: Nil)	**12,893**	–
2020 Final – HK$0.10 per share (2020: 2019 Final – HK$0.03 per share)	**25,785**	7,753
	38,678	7,753

No final dividend in respect of the year ended 31 December 2021 has been proposed by the directors of the Company (2020: HK$0.10 per ordinary share).

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:

	2021	2020
	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	**11,936**	16,129

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**257,854,000**	258,165,267
Effect of dilutive potential ordinary shares:		
Options	**1,599,754**	612,478
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**259,453,754**	258,777,745

9. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**53,105**	53,270
Less: Loss allowance	**(6,300)**	(6,099)
Trade receivables, net	**46,805**	47,171
Deposits	**2,493**	4,397
Prepayments	**4,698**	4,188
Value added tax recoverable	**8,556**	3,478
Advances to employees	**1,016**	744
Other receivables *(Note)*	**1,874**	2,408
	18,637	15,215
Total trade and other receivables	**65,442**	62,386

Note: Included in the amount is interest receivable of HK$20,000 (2020: HK$36,000).

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.

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**27,534**	32,397
31 to 60 days	**8,919**	6,687
61 to 90 days	**8,047**	6,487
91 to 180 days	**2,000**	1,130
181 to 365 days	**277**	339
Over 365 days	**28**	131
	46,805	47,171

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.

10. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**35,178**	19,011
Bills payables	**20,697**	22,235
Trade and bills payables	**55,875**	41,246
Deposits received	**1,772**	2,574
Accrued expenses	**10,147**	9,713
Salaries payables	**7,940**	8,520
Payable for acquisition of property, plant and equipment	**13,875**	798
Other payables	**572**	1,475
Contract liabilities	**1,404**	–
	35,710	23,080
Total trade and other payables	**91,585**	64,326

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.

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**10,053**	15,352
31 to 60 days	**18,710**	16,444
61 to 90 days	**17,944**	7,247
91 to 180 days	**8,814**	2,086
Over 180 days	**354**	117
	55,875	41,246

When the Group receives deposits from customers 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.

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. The pre-trial review by the High Court has been scheduled for 2 March 2023 and the trial has been scheduled to commence on 3 May 2023 with a period of 15 days reserved. 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 2021, 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 2022 could not be reasonably ascertained when this set of consolidated financial statements was authorized 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.

13. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW/RETAIL MARKET AMID THE PANDEMIC

In 2021, the global economy was still hard hit by the novel coronavirus disease ("COVID-19"). Emergence of the Delta and Omicron variants during the year caused infection numbers to surge worldwide. Some cities in Europe and the United States were severely affected by the pandemic, but fortunately the pandemic was relatively better under control in the Greater China Region for most of the Review Period and economies in the region began to recover, though there was no notable improvement in consumer confidence. In Hong Kong, as the COVID-19 pandemic was generally under control in 2021, the Hong Kong government gradually relaxed restrictions on restaurants and public premises in the middle of the year and launched the electronic consumption voucher scheme in the third quarter to boost local consumption. Those moves plus shopping malls and department stores offering a variety of discounts during the period, customer flow picked up markedly. The retail market was particularly prosperous in the second half of 2021. However, with income affected amid the pandemic lasting about two years, some citizens became more cautious in spending. Retail enterprises generally considered that though consumer traffic was strong, overall sales were not as good as before.

BUSINESS REVIEW

There was no material change in the Group's operational and segmental information since the annual report for the year ended 31 December 2020 was published. During the Review Period, total revenue of the Group amounted to HK$320.4 million, increased by 3.6% compared to HK$309.3 million for the corresponding period of 2020. During the Review Period, profit attributable to owners of the Company was HK$11.9 million, down by approximately 26.0% compared to HK$16.1 million for the corresponding period of 2020. Despite that the Group's sales increased slightly, profit attributable to owners of the Company for the Year decreased mainly due to the absence of the non-recurring COVID-19 related subsidies of approximately HK$10.0 million received in the year ended 31 December 2020 from the Hong Kong and Mainland China governments. Excluding the factor of non-recurring subsidies in 2020, profit attributable to owners of the Company for 2021 would have increased by approximately 93.1% as compared to that for 2020.

Optimised Sales Channels

With the COVID-19 pandemic prevailing for two years, consumers in Mainland China and Hong Kong have adapted to purchasing bedding products online, which the Group having invested in developing e-sales is able to match. During the Review Period, it updated the design of its official eShop webpage in Hong Kong ("HK official eShop"), strengthened cooperation with online shopping platforms, adjusted its product mix more frequently and also optimised delivery logistics by employing radio frequency identification technology. In addition, the Group strove to expand sales on major online retail platforms in Hong Kong via including optimising its product portfolio and collaborating with other brands on the online platforms to promote its products, all gaining consumers' support. Collaboration with other brands has helped attract new customers which broadened the Group's customer base. During the Review Period, the revenue contribution of online sales business in the PRC and Hong Kong remained stable. The main strategies used included continuing to invest resources in search engine marketing, recommended contents and social media platform promotions, plus participating in marketing and promotion initiatives of large-scale online shopping platforms.

As at 31 December 2021, the Group had a total of 200 physical points-of-sale ("POS") (31 December 2020: 197), of which 104 were self-operated and 96 were distributor-operated, in a total of 48 cities in the Greater China Region. Benefitting from the stable pandemic situation in Mainland China and Hong Kong most of the time in the Review Period, the Group's self-operated POS recorded a slight increase in sales year-on-year. After the Hong Kong government issued the electronic consumption vouchers to the public in the second half of 2021, consumption sentiment among citizens rose significantly. In addition, with department stores across the city mounting different promotional events, and the Company itself holding themed exhibitions at various department stores and shopping malls, sales were boosted. With regard to self-operated retail business in Mainland China, the Group actively negotiated for discounts with shopping malls and strictly controlled day-to-day operating expenses. At the same time, it strove to increase revenue and reduce expenditure by offering training to employees and strengthening the effectiveness of its marketing strategies.

In 2021, the Group's sales to distributors in Mainland China and Hong Kong both recorded double-digit year-on-year growth. At efforts of the PRC sales team in recruiting new distributors, the number of distributor-operated POS of the Company in Mainland China saw a net increase year-on-year. The Group actively provided support to the distributors, including guiding them on upgrading the storefront of core POS, adjusting in-store product mix and strengthening customer services, which led to a 19.2% year-on-year increase in sales to distributors. During the Review Period, the Group's wholesale businesses also remained stable. Apart from offering items to gifts and point redemption schemes of various commercial customers, including electrical appliance chain stores, public utility companies, telecommunication network providers, banks, infant and health food brands and electrical appliance brands, the Group also provided original equipment manufacturing (OEM) products to various customers.

Enhanced Product Mix

The Group has adhered to the core concept of "Contemporary, Innovative and Functional" in product design and is committed to providing quality products and attentive customer services. It has also continued to develop products that embody green concepts and boast health enhancing functions, striving to become consumers' "Healthy Sleeping Expert". In the first half of 2021, the Group unveiled the "CoV ZAP Antiviral Series" products, which have obtained a number of international and national testing certifications and proven resistant to human coronavirus, H1N1 and H3N2 influenza viruses, and with a 99% antibacterial rate, effectively inhibiting harmful bacteria such as Staphylococcus aureus, Klebsiella pneumoniae, E. coli, and Candida albicans.

As the pandemic spread, during the Review Period, customers had their eyes more and more on bedding products with health enhancing functions. As such, the Group stepped up promotion of its "CASA-V" brand products with "5A" features, namely air purification, anti-bacterial, anti-mould, anti-mites and anti-odour. Well-aware of consumers opting more for easy-to-clean products amid the pandemic, in the second half of the Year, the Group launched the "Regenerated Germproof Supreme Thermal Quilt", a brand-new product made with "e-Down", an environmental-friendly fibre born of patented technology from Japan, and special high-density treated shell fabric that keeps dust mites at bay. The e-Down has passed the national GB/T20944.3-2008 "Evaluation for antibacterial activity" test, proven to inhibit E. coli, Staphylococcus aureus and Candida albicans. As for the special high-density treated shell fabric, it is down proof, which means it can greatly reduce allergens such as dust relative to normal down. The product can also be machine-washed and dried. Consumers with respiratory issues and care about household hygiene can use it worry-free.

Cartoon products, meticulously designed to match consumer preferences, are one of the key businesses the Group is developing. During the Review Period, sales of licensed and authorised brand products recorded very impressive growth, and the Group's own cartoon bedding products featuring cats and dogs, launched under the "Beloved Series", were highly popular in the market, especially among consumers with pets. Moreover, the Group owns bedding product licences for a number of popular cartoons, during the Review Period, it launched new licensed cartoon bedding products of including "Kakao Friends", "BT21", "Chibi Maruko Chan", "Pokemon", "Mr. Men Little Miss", "B.Duck" and "PEANUTS". In the first half of 2021, "LuLu the Piggy" and "Crayon Shin-chan" were added to the Group's authorised cartoon portfolio, and those products enjoyed strong support from consumers.

Taking into account market competition and the low gross profit of "Fast Fashion", the Group decided to halt the project in the first half of 2021. And, in the second half of 2021, due to operational difficulties, the Group also scaled down the "Healthy Lifestyle Store" furniture business to focus resources on developing the "Deep Sleep System Mattress" business. With mattress production facilities and professional technicians already in place in the Casablanca Industrial Park, the preliminary target of the "Deep Sleep System Mattress" business is to develop core markets in Guangdong, Guangxi and Fujian provinces.

Strengthened Brand Leadership

To reward customers for their support to the brands of the Group and capture the attention of more consumers, the Group introduced in the first half of 2021 the new membership programme "Casa Club" to offer better privileges to loyal customers. The Group actively enhanced interaction with consumers on Facebook, not only sharing knowledge of how to take care of beddings, but also, in sync with marketing trend in recent years, posting creative videos to promote its brand philosophy and products. During the Review Period, thematic Pop-up Stores of authorised cartoons were set up in various large shopping malls and department stores, with photo-taking area featuring large cartoon characters and limited edition souvenirs to give out to attract consumer patronage. In July, authorised products were sold in the booth of the licensor of Crayon Shin-chan at the "Ani-Com & Games Hong Kong 2021", which had effectively strengthened awareness of the brand among young consumers.

The year 2021 marked the 28th anniversary of the founding of the brand by the Group. In June, a new television commercial themed "The Art of Textiles" was launched to spotlight the Group's pursuit of fabric aesthetics and quality sleep in the past 28 years. In addition to the new television commercial and product sponsorship for television game programme series, the Group also, via product sponsorship and advertising placement tied in with the popular television drama "Ossan's Love" in July, succeeded in attracting a lot of consumer inquiries and purchases of the bedding products used by the leading characters in the drama, reaping great publicity value.

In 2021, with extensive experience in authorised brand management to share, the Group was invited to join the "Design, Marketing and Licensing Services Advisory Committee" by the Hong Kong Trade Development Council (HKTDC). The Group also received the "China Licensing Awards" jointly presented by the International Licensing Industry Merchandisers' Association and the Licensing Expo Shanghai. The Group was also invited to participate and represented in the Asian Licensing Webinar jointly organised by HKTDC and Licensing International in the second half of 2021 to share views on the development of licensing business in Hong Kong, which showed that the Group's leadership in authorised brand management is well-recognised.

PROSPECTS

Looking ahead at 2022, the market expects the worldwide spread of the COVID-19 variant Omicron will soon be effectively contained as vaccination rates increase. Also, with new relevant oral drugs for treatment available, as well as various antigen rapid test kits and drugs that can relieve infection symptoms produced by enterprises around the world, economic development is expected to soon get back on track in different countries. However, with conflicts broken out between Russia and Ukraine, operation of the global supply chain has been affected and countries are worried about such uncertainties as inflation and oil price rise. The turbulent global scene and gloomy economic outlook have significantly weakened the confidence of consumers in the Greater China Region. Retail enterprises in Hong Kong are hoping that the new round of electronic consumption vouchers the Hong Kong government is to issue will give the weak consumption sentiment in Hong Kong a boost.

Facing this difficult period for retail business operations in Mainland China and Hong Kong, the Group will actively develop new income sources, reduce expenditure, allocate resources to businesses with higher growth potential, adjust its product mix according to market needs, strive to expand distributor-sales, online-sales and wholesaling, and focus on developing bedding products with health enhancing functions so as to enhance the Group's brand value.

Mainland China

Regarding sales channels, self-operated retail sales, distributor-sales, online sales and wholesaling remain the key development focus of the Group in Mainland China. To raise the revenue contribution of individual self-operated retail POS, the Group will launch targeted marketing and promotions by geographical region plus community group purchase events. In addition, it planned to add 5 to 10 high-quality self-operated retail POS step-by-step in 2022 to scale up revenue. For distributor-sales, it will improve customer services and strive to maintain its existing distributor network while exploring new distributors. In 2022, the Group will continue to optimise the structure of its domestic online sales team and add performance incentives. Pinpointing domestic online business, it will focus on investing promotional resources in search engine marketing, recommended contents, social networking platforms, video and live streaming publicity through such channels as Tmall, Jingdong, Taobao, Pinduoduo and Xiaohongshu, plus allocate resources to support the Company's potential-rich self-operated online stores on online shopping platforms to balance the risk from concentrated income sources.

With healthy household products catching the eyes of more consumers amid the prevailing COVID-19 pandemic in recent years, the Group has continued to research and develop products with "5A" features and employ technology-embedded materials to ensure its products are safe for use by consumers. To attract young consumers in the PRC market, the Group will launch products of clean and simple designs. For online customers with higher spending power in first tier cities, the online sales team will also continue to optimise the offering structure and increase the proportion of high-end offerings. Heeding the intense competition in the industry, the Group has scaled down the "Healthy Lifestyle Store" and furniture sales business so that more resources could be allocated to the "Deep Sleep System Mattress" business for including mattress production and sale. The Group started preparing for mattress production and sales operations in 2021, working on including purchasing manufacturing facilities, recruiting production personnel and training sales personnel, targeting to roll out strong promotion for its mattress products in 2022.

To meet its growing product research and development and production capacity demands, the Group commenced construction of phase II of the Casablanca Industrial Park in Huizhou in December 2020. The main work in phase II is to construct the new production building B, which is originally intended for accommodating production facilities for new products (especially for research and development) and to provide more office, showroom, training and conference room spaces. Construction of the new production building B has been largely completed and various safety inspections are being conducted by the government to be followed by interior decoration work. It is expected to commence operation in or before the third quarter of 2022.

Hong Kong

In the first quarter of 2022, amid the fifth wave of the COVID-19 outbreak in Hong Kong, with the number of confirmed infections reaching new high every day and deaths of infected elderly rising persistently, the Hong Kong government imposed very stringent anti-pandemic measures, including compulsory use of the "LeaveHomeSafe" mobile application and the "vaccine pass" being a must for those who want to enter designated premises including shopping malls and department stores, as well as evening dine-in ban at restaurants. The low customer flow has seriously affected retailers and the operating conditions in the first half of 2022 are not optimistic.

Regarding sales channels, the majority of the Group' s physical POS in Hong Kong have been operating for a good period of time and have good relationship with consumers in their neighbourhood. The Group will continue to actively seek rental concessions from shop owners and it expects its existing network of physical POS in Hong Kong to remain stable. In 2022, with cost control in mind, it will continue the effort it started in 2021 to optimise the décor of and product display at POS. In addition to the HK Official eShop and the online stores it operates on well-known local online shopping platforms, the Group will also expand online penetration of its products through short-term promotions or opening online stores on more online shopping platforms. Although development of the COVID-19 pandemic is worrying, the Group will still press on with exploring diverse business opportunities with commercial customers, including providing products to customers as free gifts or for their redemption schemes, or as gifts on purchase online, etc.

On the product front, with efforts and preparation made in 2021, the Group launched in February 2022 the first mattress series named "Casa Sleep-Lab Earth Mantle Series", comprising 6 mattress products with "5A" features of CASA-V. The products come each with a different efficient support system and material combinations with reference to ergonomics to cater for different sleeping support needs and preferences of consumers. In 6 large specialised stores in Hong Kong, dedicated mattress experience area has been set up for consumers to experience the mattress products first-hand. In recent years, the Group has focused on promoting products that embody green concepts and health improving functions. In addition to continuing promotion of bedding products with "5A" features in 2022, it will also launch products made with various new technology-embedded materials under the "Love Casa Love Eco" theme to encourage consumers to use environmental-friendly materials to their sleeping environment. Moreover, in 2022, the Group will continue to optimise the licensed cartoon product portfolio by adding more of its own pet cartoon designs and increasing popular cartoon product choices, thereby further boost the market share of the Group's brands in Hong Kong.

As for promotion, the Group has strengthened online promotion over the past few years to more effectively convey its brand positioning and messages to targeted consumers and succeeded in bolstering awareness of the brand among young people in Hong Kong. In 2022, it will continue to enhance its online promotional content, produce more short videos and increase interaction with consumers. The Group will actively seek opportunities to promote its brands in shopping malls or department stores, including introducing Pop-up Stores and staging themed exhibitions, to capture the interest of consumers with different shopping habits.

Adhering to its "Contemporary, Innovative and Functional" design concept, the Group will strive to provide consumers with quality bedding products of fashionable designs and at reasonable prices, as well as home accessories that are trendy yet practical. It will also continue to broaden revenue streams and enhance brand value so as to bring satisfactory returns to shareholders in the long run.

FINANCIAL REVIEW

Revenue

During the Year, the Group recorded revenue of HK$320.4 million (2020: HK$309.3 million), representing an increase of 3.6%. The increase in revenue was primarily attributable to the improvement of sales, which, in turn, was attributable to the COVID-19 in Hong Kong and Mainland China being relatively stable during the Year as compared to 2020, leading to better consumption sentiment for self-operated and distributor-run retail business.

Breakdown of revenue by channels:

	2021		2020		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Self-operated retail sales						
Self-operated concession counters	**168,613**	**52.6%**	162,329	52.5%	6,284	3.9%
Self-operated retail stores	**58,323**	**18.2%**	60,240	19.5%	(1,917)	-3.2%
Sub-total for self-operated retail sales	**226,936**	**70.8%**	222,569	72.0%	4,367	2.0%
E-sales	**30,900**	**9.7%**	30,485	9.9%	415	1.4%
Sales to distributors	**29,573**	**9.2%**	24,815	8.0%	4,758	19.2%
Others *(Note)*	**32,994**	**10.3%**	31,410	10.1%	1,584	5.0%
Total	**320,403**	**100.0%**	309,279	100.0%	11,124	3.6%

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 70.8% of the total revenue and represented an increase of 2.0% as compared to 2020. The increase in self-operated retail sales from concession counters for 2021 was primarily due to the improvement in self-operated retail business at department stores as a result of the relatively more stable COVID-19 situation throughout the Year. The decrease in self-operated retail sales from retail stores was attributable to the result of the important promotional event in Hong Kong in January 2021, under many strict measures against the pandemic imposed by Hong Kong government, being relatively unsatisfactory as compared to the one in January 2020. Revenue from e-sales for the Year was at similar level as compared to 2020. The significant increase in sales to distributors for 2021 was attributable to distributors in both Mainland China and Macau benefited from the better consumption sentiment as a result of relatively more stable COVID-19 situation during the Year. Sales to others increased as a result of more purchase orders from corporate and export customers.

Breakdown of revenue by brands:

	2021		2020		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Proprietary brands	**265,949**	**83.0%**	262,901	85.0%	3,048	1.2%
Licensed and authorized brands	**54,454**	**17.0%**	46,378	15.0%	8,076	17.4%
Total	**320,403**	**100.0%**	309,279	100.0%	11,124	3.6%

Casablanca, Casa Calvin and CASA-V are our major proprietary brands. The increase of 1.2% in sales of proprietary brands was attributable to the increase in sales during the Year. Sales of our licensed and authorized brands for 2021 increased by 17.4% due to launching of more licensed and authorized brands products with more promotional offers, especially for e-sales, during the Year.

Breakdown of revenue by products:

	2021		2020		Change	
	HK$'000	***% of Total***	*HK$'000*	*% of Total*	*HK$'000*	*%*
Bed linens	**167,311**	**52.2%**	163,213	52.8%	4,098	2.5%
Duvets and pillows	**134,844**	**42.1%**	127,892	41.3%	6,952	5.4%
Others *(Note)*	**18,248**	**5.7%**	18,174	5.9%	74	0.4%
Total	**320,403**	**100.0%**	309,279	100.0%	11,124	3.6%

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 bed linens and duvets and pillows for 2021 was primarily due to the increase in overall sales during the Year.

Breakdown of revenue by geographic regions:

	2021		2020		Change	
		% of		*% of*		
	HK$'000	***Total***	*HK$'000*	*Total*	*HK$'000*	*%*
Hong Kong & Macau	**236,672**	**73.9%**	226,949	73.4%	9,723	4.3%
Mainland China	**82,482**	**25.7%**	81,985	26.5%	497	0.6%
Others *(Note)*	**1,249**	**0.4%**	345	0.1%	904	262.0%
Total	**320,403**	**100.0%**	309,279	100.0%	11,124	3.6%

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

Revenue from Hong Kong and Macau for 2021 increased by 4.3% primarily due to the increases in self-operated retail sales and sales to distributors and wholesale customers in Hong Kong and Macau. The revenue from Mainland China for 2021 at similar level as 2020 was attributable to the increases in e-sales and sales to distributors being offset by the decreases in sales-operated retail sales and sales to wholesale customers in Mainland China. Revenue from others for 2021 significantly increased since some of our export customers re-activated their purchase orders which were on hold under the impact of COVID-19 during 2020.

Gross Profit and Gross Profit Margin

Gross profit of HK$196.4 million for 2021 increased by 2.4% as compared to HK$191.7 million for 2020. The gross profit margin for 2021 was 61.3% which was slightly lower than 62.0% for 2020 and mainly due to the increase in proportion of sales to distributors for 2021 at a lower margin.

Other Income

Other income for the Year decreased by 88.2% to HK$1.5 million (2020: HK$12.4 million). The decrease during the Year was mainly due to the absence of subsidies of about HK$10.0 million received from governments of Hong Kong and Mainland China primarily in relation to COVID-19 in 2020.

Other Gains/Losses

Other gains for the Year amounted to HK$0.8 million (2020 losses: HK$1.5 million), mainly representing net exchange gain of HK$1.3 million (2020: HK$1.5 million) and gain on lease modification of HK$1.4 million (2020: nil) offsetting impairment loss, loss on disposal and written off of property, plant and equipment of HK$0.5 million in total (2020: HK$1.2 million), unrealised loss on financial assets at fair value through profit or loss of HK$1.3 million (2020 net unrealised gain: HK$0.1 million) and impairment loss of right-of-use assets of nil (2020: HK$1.6 million).

Operating Expenses

Selling and distribution costs for 2021 increased by 1.4% to HK$138.3 million (2020: HK$136.5 million). The increase was mainly due to increases in salaries and allowances to sales staff, rent and rates and repair maintenance.

Administrative expenses for 2021 decreased by 4.1% to HK$43.7 million (2020: HK$45.6 million). The decrease was primarily due to decreases in salaries and allowances, depreciation and legal and professional fee for the Year.

Taxation

The Group's effective tax rate for 2021 was 24.0% as compared to 16.7% for 2020. The effective tax rate for 2021 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 loss allowances on trade and other receivables and inventory, and the exchange gain or loss for 2021 and 2020 been excluded, the adjusted effective tax rate would be approximately 17.5% for 2021 and 16.9% for 2020.

Profit for the Year

Profit attributable to owners of the Company for 2021 was HK$11.9 million, representing a decrease of 26.0% when compared to HK$16.1 million for 2020. Reason for the decrease in profit for 2021, despite a slight increase in sales of the Group, was primarily due to the absence of non-recurring subsidies amounting to about HK$10.0 million mainly in relation to COVID-19 received from the governments of Hong Kong and Mainland China as for the year ended 31 December 2020. If subsidies received from governments of Hong Kong and Mainland China are excluded for both years, the adjusted profit attributable to owners of the Company for 2021 becomes HK$11.9 million (2020: HK$6.1 million) and represents an increase of 93.1% as compared to that for 2020.

EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation, amortisation and share-based payments. EBITDA for 2021 increased by 7.8% to HK$41.1 million (2020: HK$38.2 million) which was primarily attributable to the increase in sales for the Year.

Major Operating Efficiency Ratios

	2021	2020
Inventory turnover *(days)*	**238.4**	257.9
Trade receivables turnover *(days)*	**53.5**	63.5
Trade and bills payables turnover *(days)*	**142.9**	139.8

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 2021 decreased to 238.4 days from 257.9 days for 2020 was due to lower opening inventory of the Year and the increase in sales for the Year. The inventory at 31 December 2021 increased by 12.5% to HK$85.8 million from HK$76.2 million at 31 December 2020 with more raw materials and finished goods kept at 31 December 2021 for promotional events in January 2022 in Hong Kong.

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. With the increase in sales for 2021 and the higher opening trade receivables for 2020, the trade receivables turnover for 2021 decreased to 53.5 days from 63.5 days for 2020 despite the trade receivables at 31 December 2021 at similar level as to 31 December 2020.

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 2021 increased to 142.9 days from 139.8 days for 2020 with the increase of 35.5% in trade and bill payables of HK$55.9 million at 31 December 2021 from HK$41.2 million at 31 December 2020 due to more raw materials purchased in the fourth quarter of 2021 for promotional events in January 2022 in Hong Kong.

Liquidity and Capital Resources

The gearing structure is set out below:

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Total bank borrowings	**3,980**	2,375
Pledged bank deposits and bank balances and cash	**142,335**	194,629
Net cash	**138,355**	192,254
Total assets	**522,259**	510,573
Total liabilities	**117,541**	85,780
Total equity	**404,718**	424,793

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.

The decrease in bank balances and cash at 31 December 2021 was primarily attributable to payments for 2020 final dividend, 2021 interim dividend and the construction of the new production building B under phase II of Casablanca Industrial Park under the construction agreement (the "Construction") during the Year. Even reserving cash for full settlements of capital commitments, outstanding payables for the Construction and bank borrowings at 31 December 2021, the Group would still have available net cash of about HK$119.3 million and unutilized banking facilities of about HK$72.5 million as at 31 December 2021 which will be sufficient for its future operations in absence of unforeseen circumstances.

Pledged bank deposits and bank balances and cash

As at 31 December 2021, the pledged bank deposits of the Group were approximately HK$7.2 million (2020: HK$6.2 million), which were denominated in HKD and RMB, and the bank balances and cash of the Group were approximately HK$135.1 million (2020: HK$188.4 million), which were denominated in HKD and RMB except for about 2.3% in United States dollars and Euro.

Bank borrowings

As at 31 December 2021, the bank borrowings of the Group were approximately HK$4.0 million (2020: HK$2.4 million), which were denominated as to 100.0% in RMB, with all bank borrowings balances repayable not more than one year and being fixed-rated borrowings with effective interest rates at 5.42% per annum. During the Year, the financial position of the Group was healthy.

Current ratio

The Group's total current assets and the total current liabilities at 31 December 2021 decreased to HK$301.4 million (2020: HK$341.4 million) and increased to HK$107.8 million (2020: HK$79.3 million) respectively. As a result, the current ratio decreased to 2.8 as at 31 December 2021 from 4.3 as at 31 December 2020. The decrease in current ratio was mainly due to the decrease in bank balances and cash and the increase in trade and other payables.

Gearing ratio

Gearing ratio is calculated as total borrowings divided by total equity at the end of the year. As at 31 December 2021, the gearing ratio was only 1.0% (2020: 0.6%) with the bank borrowings increased by HK$1.6 million in Mainland China when the total equity also decreased by HK$20.1 million. The Group was at net cash position at 31 December 2021 as well as 31 December 2020.

Pledge of assets

As at 31 December 2021, no leasehold land and buildings were pledged to banks as securities for banking facilities granted to the Group (2020: nil). The Group had pledged only its fixed deposits with an aggregate value of HK$7.2 million (2020: HK$6.2 million) to certain banks in Hong Kong and Mainland China to secure banking facilities granted to the Group at 31 December 2021.

Capital expenditures

During the Year, the Group invested HK$59.2 million (2020: HK$4.9 million) mainly for acquisition of properties, leasehold improvements and equipment and the Construction.

Capital commitments

As at 31 December 2021, the Group had capital commitments of approximately HK$5.1 million (2020: HK$48.8 million) of which mainly an amount of about HK$4.6 million (2020: HK$48.4 million) related to the cost of the Construction with payments subject to the completion of the Construction.

Share Capital

The total number of ordinary shares of the Company ("Shares") as at 31 December 2021 was 257,854,000 Shares (2020: 257,854,000 Shares). As at 31 December 2021, the total issued share capital of Company was HK$25,785,400 (2020: 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 share option scheme before the listing.

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 appreciated by about 3.3% against HKD in 2021 (2020: 6.2%). 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.

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. The pre-trial review by the High Court has been scheduled for 2 March 2023 and the trial has been scheduled to commence on 3 May 2023 with a period of 15 days reserved.

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.

Employee and Remuneration Policy

As at 31 December 2021, the employee headcount of the Group was 516 (2020: 549) and the total staff costs, including directors' emoluments, for the Year amounted to HK$91.8 million (2020: HK$90.3 million). The decrease of employee headcount was mainly due to the decrease in sales, administration and human resources staff from closure of the office of Colorway Furniture Company Limited, which is a wholly owned subsidiary of the Company, in Dongguan, the PRC. Despite the decrease in employee headcount, the increase in total staff costs for the Year was mainly due to the increase in payments for retirement benefit schemes contributions in Mainland China which were exempted from payments under the impact of COVID-19 in 2020.

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. During the year ended 31 December 2020, the Group deregistered Shenzhen Casablanca Sales and Marketing Limited, which was a subsidiary of the Group in Mainland China with effective interest of 55% before deregistration.

Significant Investments

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

Financial Assets at Fair Value Through Profit or Loss

The financial assets at fair value through profit or loss (the "FVTPL") represent the Group's investments in shares of companies being constituents of Hang Seng Index as listed on the Stock Exchange which were held for medium to long term investment purposes. As at 31 December 2021, the Company had total investments with fair value of HK$7.3 million (2020: HK$5.2 million) which were not more than 5% of the Group's total assets. The increase in financial assets at FVTPL was mainly attributable to purchases of more shares listed on the Stock Exchange during the Year offsetting against an amount of net unrealised loss on financial assets at FVTPL of about HK$1.3 million (2020 net unrealised gain: HK$0.1 million), which was mainly derived from decreases in prices of listed shares as held at 31 December 2021. As the Group's investments were constituents of Hang Seng Index as listed on the Stock Exchange, they were expected to bring returns to the Group ultimately. Dividend income for the Year from these investments in shares of companies listed on the Stock Exchange was HK$0.4 million (2020: nil).

On 10 and 11 March 2022, the Group made further investments of about HK$1.9 million in total in shares of two companies being also constituents of Hang Seng Index as listed on the Stock Exchange and intended to hold them for a medium to long term.

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 and investment properties to strive for better return in the medium to long-term from surplus cash on hand. The Group will review its business strategy in respect of its capital assets (including but not limited to properties owed 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 owed by the Group having regard to the operational needs of the Group, actual circumstance and the interest of the Group as a whole.

References are made to the announcements of the Company dated 18 January 2022, 16 April 2021 and 30 October 2020 and the circular of the Company dated 15 December 2020 in relation to the Construction Agreements. The Group entered into a construction agreement on 30 October 2020 and a supplemental agreement on 16 April 2021 (collectively the "Construction Agreements") with an independent third party contractor to construct a complex with four floors for the new production building B under phase II of the Casablanca Industrial Park in Huizhou, the PRC of which the completion was initially expected in December 2021. The total consideration under the Construction Agreement up to date was adjusted to RMB51.9 million (equivalent to approximately HK$63.6 million) after an upward adjustment of RMB3.3 million (equivalent to approximately HK$4.0 million) in relation to adjustments according to the price adjustment mechanism and changes in raw materials used.

Up to the date of this announcement, the Company had made progress payments of about RMB40.1 million (equivalent to approximately HK$49.2 million) for the Construction Agreements under which the Construction has been substantially completed and is under arrangements for inspections by the relevant governmental authorities. The completion of the Construction is extended to not later than 30 April 2022. After the completion, the new production building B under the Construction will be undergone interior decorations and will be ready for use in or before the third quarter of 2022.

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.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: HK$0.10 per Share). With an interim dividend of HK$0.05 per Share for the six months ended 30 June 2021 declared by the Board on 27 August 2021 (six months ended 30 June 2020: nil), the total dividend for the Year amounts to HK$0.05 per Share (2020: HK$0.10 per Share), representing about 108.0% of this year's basic earnings per Share of HK$0.0463 (2020: HK$0.0625).

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. During the year ended 31 December 2020, the Company repurchased a total of 578,000 Shares on the Stock Exchange at an aggregated consideration of approximately HK$370,470 (before brokerage and related expenses).

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2021 is scheduled to be held on Monday, 23 May 2022 (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 Wednesday, 18 May 2022 to Monday, 23 May 2022 (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 Tuesday, 17 May 2022.

CORPORATE GOVERNANCE PRACTICES CODE

The Company has adopted the code provisions set out in the Corporate Governance Code 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.

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 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 2021.

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 2021 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, 25 March 2022

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.