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Casablanca Group Limited
卡撒天嬌集團有限公司

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

(Stock Code: 2223)

ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

		Six months ended 30 June		
	Notes	**2021**	2020	Change
Revenue *(HK$'000)*		**142,681**	135,841	5.0%
Gross profit *(HK$'000)*		**89,345**	84,408	5.8%
EBITDA *(HK$'000)*	*1*	**15,809**	12,351	28.0%
Profit (Loss) for the period attributable to owners of the Company *(HK$'000)*		**1,590**	(2,169)	N/A
Gross profit margin		**62.6%**	62.1%	
EBITDA margin		**11.1%**	9.1%	
Net profit (loss) margin		**1.1%**	-1.6%	
Earnings (Loss) per share				
– Basic (HK cents)		**0.62**	(0.84)	N/A
– Diluted (HK cents)		**0.61**	(0.84)	N/A
Interim dividend per share (HK cents)		**5.00**	Nil	N/A

		As at 30/06/2021	As at 31/12/2020	Change
Total assets *(HK$'000)*		**473,301**	510,573	-7.3%
Total equity *(HK$'000)*		**402,886**	424,793	-5.2%
Total bank balances and cash *(HK$'000)*	*2*	**154,659**	194,629	-20.5%
Total bank borrowings *(HK$'000)*		**–**	2,375	-100.0%
Net cash *(HK$'000)*	*3*	**154,659**	192,254	-19.6%
Gross gearing ratio		**0.0%**	0.6%	

Notes:

1. EBITDA represents gross profit less selling and distribution costs and administrative expenses adding back depreciation.

2. Total bank balances and cash included pledged bank deposits.

3. Net cash represents total bank balances and cash less total bank borrowings.

The board (the "Board") of directors (the "Directors") of Casablanca Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 (the "Period" or the "Review Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	**Six months ended 30 June** **2021** ***HK$'000*** **(unaudited)**	2020 *HK$'000* (unaudited)
Revenue	*4*	**142,681**	135,841
Cost of goods sold		**(53,336)**	(51,433)
Gross profit		**89,345**	84,408
Other income	*5*	**669**	4,792
Other losses	*6*	**(338)**	(3,485)
Selling and distribution costs		**(66,572)**	(64,919)
Administrative expenses		**(20,335)**	(21,537)
Finance costs		**(472)**	(630)
Profit (loss) before taxation	*7*	**2,297**	(1,371)
Taxation	*8*	**(707)**	(816)
Profit (Loss) for the period		**1,590**	(2,187)
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**2,288**	(3,222)
Release of translation reserve upon deregistration of a subsidiary		**–**	(29)
Other comprehensive income (expense) for the period		**2,288**	(3,251)
Total comprehensive income (expense) for the period		**3,878**	(5,438)
Profit (loss) for the period attributable to:			
Owners of the Company		**1,590**	(2,169)
Non-controlling interests		**–**	(18)
		1,590	(2,187)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**3,878**	(5,420)
Non-controlling interests		**–**	(18)
		3,878	(5,438)
Earnings (loss) per share	*10*		
– Basic (HK cents)		**0.62**	(0.84)
– Diluted (HK cents)		**0.61**	(0.84)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30.6.2021 *HK$'000* (unaudited)	31.12.2020 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**144,833**	128,621
Right-of-use assets		**34,820**	32,573
Intangible assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**4,313**	6,352
Rental and other deposits		**1,812**	1,617
Deferred tax assets		**469**	15
		186,247	169,178
Current assets			
Inventories		**81,340**	76,239
Trade and other receivables	*11*	**41,761**	62,386
Financial assets at fair value through profit or loss		**7,188**	5,244
Taxation recoverable		**2,106**	2,897
Pledged bank deposits		**6,089**	6,246
Bank balances and cash		**148,570**	188,383
		287,054	341,395
Current liabilities			
Trade and other payables	*12*	**49,962**	64,326
Lease liabilities		**11,705**	11,707
Taxation payable		**454**	933
Bank borrowings		**–**	2,375
		62,121	79,341
Net current assets		**224,933**	262,054
Total assets less current liabilities		**411,180**	431,232
Non-current liabilities			
Lease liabilities		**7,705**	5,814
Deferred tax liabilities		**589**	625
		8,294	6,439
Net assets		**402,886**	424,793
Capital and reserves			
Share capital		**25,785**	25,785
Reserves		**377,101**	399,008
Total equity		**402,886**	424,793

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

The condensed consolidated financial statements have been prepared on the historical cost except for financial instruments, that are measured at fair values at the end of each reporting period. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousands, except when otherwise indicated.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The 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".

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

4. 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, which 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 period 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 the purpose of this announcement, excluding Hong Kong, Macau and Taiwan), Hong Kong and Macau, and sales made to overseas customers.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by distribution channels, major products and geographical location of customers is as follows:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Disaggregated by distribution channels		
– Self-operated retail sales	**103,928**	98,492
– E-sales	**14,057**	14,789
– Sales to distributors	**13,212**	8,520
– Others	**11,484**	14,040
	142,681	135,841

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Disaggregated by major products		
– Bed linens	**79,519**	78,474
– Duvets and pillows	**55,085**	50,533
– Other home accessories	**8,077**	6,834
	142,681	135,841

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Disaggregated by geographical location of customers		
– Hong Kong and Macau	**106,484**	104,584
– PRC	**36,156**	31,257
– Others	**41**	–
	142,681	135,841

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**108**	607
Government subsidies *(Note)*	**29**	2,796
Investment income	**–**	11
Dividend income	**403**	–
Others	**129**	1,378
	669	4,792

Note: For the six months ended 30 June 2020, government subsidies of HK$2,796,000 mainly included the COVID-19-related subsidies of HK$2,761,000, of which HK$1,481,000 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$35,000 relates to other COVID-19-related subsidies provided by the PRC government.

6. OTHER LOSSES

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on deregistration of a subsidiary	**–**	27
Impairment loss on property, plant and equipment	**(505)**	(309)
Impairment loss on right-of-use assets	**–**	(1,318)
Loss on disposals and written off of property, plant and equipment	**–**	(374)
Net exchange gains (losses)	**251**	(827)
Net loss allowance on trade receivables	**(128)**	(154)
Loss allowance on other receivables	**–**	(530)
Net unrealised loss on financial assets at fair value through profit or loss	**(38)**	–
Gain on lease modification	**82**	–
	(338)	(3,485)

7. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging/(credting):		
Directors' and chief executive's remuneration *(Note)*	**5,482**	5,346
Other staff costs	**37,800**	37,108
Net allowance for inventories (included in cost of goods sold)	**1,845**	3,024
Cost of inventories recognised as expenses	**51,491**	48,409
Covid-19 – related rent concessions	**(60)**	(895)
Depreciation of property, plant and equipment	**5,708**	6,651
Depreciation of right-of-use assets *(Note)*	**7,663**	7,748
Expenses relating to short-term leases	**7,790**	8,659
Variable lease payments not included in the measurement of lease liabilities	**8,135**	8,119

Note: 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 six months ended 30 June 2021 was HK$1,026,000 (2020: HK$1,057,000), 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 six months ended 30 June 2021 was HK$1,074,000 (2020: HK$1,110,000).

8. TAXATION

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Hong Kong	**1,197**	674
PRC Enterprise Income Tax ("EIT")	**–**	281
	1,197	955
Under-provision in prior years		
PRC EIT	**–**	3
	1,197	958
Deferred taxation	**(490)**	(142)
	707	816

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 June 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 in 2020.

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%.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

At the end of the current interim period, the Group has unused tax losses of HK$39,891,000 (31 December 2020: HK$34,878,000) available for offset against future profits. A deferred tax asset of HK$443,000 (31 December 2020: Nil) in respect of tax losses of HK$1,772,000 (31 December 2020: Nil) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$38,119,000 (31 December 2020: HK$34,878,000) due to the unpredictability of future profit streams and those will expire up to 2026.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB27,647,000 (equivalent to HK$33,246,000) (31 December 2020: RMB29,165,000 (equivalent to HK$34,638,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

9. DIVIDEND

During the current interim period, a final dividend of HK$0.10 per share in respect of the year ended 31 December 2020 (2020: HK$0.03 per share in respect of the year ended 31 December 2019) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to approximately HK$25,785,000 (2020: HK$7,753,000).

Subsequent to 30 June 2021, the directors of the Company have determined that an interim dividend of HK$0.05 per ordinary share in the share capital of the Company amounting to HK$12,893,000 in aggregate (2020: Nil) will be paid on 27 September 2021 to the owners of the shares of the Company whose names appear in the Register of Members on 16 September 2021.

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**1,590**	(2,169)

	Six months ended 30 June	
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**257,854,000**	258,432,000
Effect of dilutive potential ordinary shares:		
Options	**848,307**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**258,702,307**	258,432,000

The diluted loss per share for the six months ended 30 June 2020 has not taken into account the effect of outstanding share options as exercise of such options would result in decrease in loss per share.

11. TRADE AND OTHER RECEIVABLES

	30.6.2021 *HK$'000* (unaudited)	31.12.2020 *HK$'000* (audited)
Trade receivables	**30,935**	53,270
Less: Loss allowance	**(6,304)**	(6,099)
Trade receivables, net	**24,631**	47,171
Deposits	**5,753**	4,397
Prepayments	**4,134**	4,188
Value added tax recoverable	**4,309**	3,478
Advances to employees	**844**	744
Other receivables	**2,090**	2,408
	17,130	15,215
Trade and other receivables	**41,761**	62,386

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, which approximated the respective revenue recognition dates.

	30.6.2021 *HK$'000* (unaudited)	31.12.2020 *HK$'000* (audited)
Within 30 days	**15,190**	32,397
31 to 60 days	**2,559**	6,687
61 to 90 days	**4,464**	6,487
91 to 180 days	**1,389**	1,130
181 to 365 days	**858**	339
Over 365 days	**171**	131
	24,631	47,171

12. TRADE AND OTHER PAYABLES

	30.6.2021	31.12.2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**17,963**	19,011
Bills payables	**16,952**	22,235
Trade and bills payables	**34,915**	41,246
Deposits received from customers	**3,701**	2,574
Accrued expenses	**6,917**	9,713
Salaries payables	**3,503**	8,520
Payable for acquisition of property, plant and equipment	**585**	798
Other payables	**341**	1,475
	15,047	23,080
Trade and other payables	**49,962**	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 presented based on the invoice date at the end of the reporting period.

	30.6.2021	31.12.2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**12,173**	15,352
31 to 60 days	**9,599**	16,444
61 to 90 days	**8,231**	7,247
91 to 180 days	**4,407**	2,086
Over 180 days	**505**	117
	34,915	41,246

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2021, the new COVID-19 variants emerged in Europe and America. Nevertheless, there were no serious outbreaks in the Greater China Region (for the purposes of this announcement, comprising Mainland China, Hong Kong and Macau). During the Period, economy in the region began to recover. However, improvement in consumer confidence was not notable. Although the Group's overall points of sales ("POS") in Mainland China had a year-on-year decrease by 15, the Group's sales revenue from Mainland China still achieved a satisfactory year-on-year increase by 15.7% as a result of the stable pandemic situation in the region during the Review Period. With regard to Hong Kong, in response to the COVID-19 pandemic being under control, the Hong Kong government has gradually relaxed restrictions on restaurants and public areas. In addition, shopping malls and department stores have launched a variety of discounts to promote consumption during the Period. Although the customer flow has gradually been picking up, the consumption sentiment is yet to be improved. During the Review Period, the Group's overall sales revenue from Hong Kong and Macau only recorded a slight year-on-year increase by 1.8%.

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 2020. During the Review Period, the total sales revenue of the Group amounted to HK$142.7 million, increased by 5.0% compared to the HK$135.8 million for the corresponding period of 2020. Profit attributable to owners of the Company for the Review Period was HK$1.6 million as compared to the loss of HK$2.2 million for the corresponding period of 2020. The turnaround from loss to profit during the Review Period was mainly due to (i) the COVID-19 pandemic in Hong Kong and Mainland China during the Period was relatively under control, resulting in an improvement in the market conditions, which led to an increase in the sales of the Group during the Period; and (ii) the decrease in provisions for impairment losses on assets.

Adjusted Sales Channels

As of 30 June 2021, the Group had a total of 196 POS (31 December 2020: 197), among which 104 were self-operated POS and 92 were distributor-operated POS, covering a total of 47 cities in the Greater China Region. Benefitting from the stable pandemic situation in Mainland China and Hong Kong during the Review Period, both the Group's self-operated retail sales and sales to distributors have recorded year-on-year growths, especially sales to distributors with an increase by 55.1%.

During the Review Period, we updated the webpage design of our official online stores, and strengthened our cooperation with online shopping platforms and increased the frequency of product mix adjustment and, at the same time, optimised the delivery logistics after use of radio frequency identification (the "RFID") technology to ensure timely delivery of satisfactory products to the consumers. For the six months ended 30 June 2021, the e-sales of the Group slightly slowed down year-on-year due to the fact that a majority of consumers in Mainland China and Hong Kong switched from shopping in physical stores to shopping on e-commerce platforms when both Mainland China and Hong Kong were severely affected by the pandemic in the corresponding period last year, resulting in a significant increase and a higher base value in e-sales in the corresponding period last year.

During the Review Period, the Group offered items to various commercial customers in Hong Kong 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 is dedicated to build the image of "Healthy Sleeping Expert", and has continued its research and development of products that embody green concepts and health improving functions, all in a bid to provide consumers with comfortable bedding products. During the Review Period, the Group proudly presented the "CoV ZAP Antiviral Series" products, which have passed a number of international and national testing certifications, including ISO 18184:2019 textile antiviral activity test, Oeko-Tex Standard 100 international harmless substance certification, European Union REACH chemical safety assessment, national antibacterial performance testing and national textile product safety certification, and have proved that it can resist human coronavirus, H1N1 and H3N2 influenza viruses. It has a 99% antibacterial rate, effectively inhibiting harmful bacteria such as Staphylococcus aureus, Klebsiella pneumoniae, E. coli, and Candida albicans.

Cartoon products, which grasp consumers' preferences and are exquisitely designed, are one of the key businesses of the Group. During the Review Period, we launched our own design of cartoon bedding products featuring cats and dogs, which have received enthusiastic support, especially for consumers who have pets at home. In addition, the Group owns bedding product licences for a number of popular cartoons, and launched new licenced bedding products of various cartoons, including "Kakao Friends", "BT21", "Chibi Maruko Chan", "Pokemon", "Mr. Men Little Miss", "B.Duck" and "PEANUTS", during the Review Period. In the first half of 2021, we provided more cartoon product options for consumers by the addition of "LuLu the Piggy" and "Crayon Shin-chan" into our authorised cartoon portfolio.

Having regard to the market competition and low gross profit, the Group has put a halt on its "Fast Fashion" project to channel more resources into developing the business of the "Deep Sleep System Mattress". We have mattress production facilities and professional technicians already in place in the Casablanca Industrial Park. At preliminary stage, the "Deep Sleep System Mattress" business targets Guangdong, Guangxi and Fujian provinces as its core development markets.

Strengthened Brand Leadership

To reward customers for their supports to the brands of the Group and captivate more consumers, we launched a new membership program, namely "Casa Club", during the Review Period to provide better privileges to our loyal customers. We have been actively enhancing consumer engagement on Facebook, through which we kept ourselves abreast of the market trend and promoted the Group's brand philosophy and products by creative short videos alongside with the sharing of bedding care knowledge. During the Period, as part of promotion, we set up Pop-up Stores under different themes of authorised cartoons in shopping malls and department stores, with photo-taking area featuring large cartoon characters and limited souvenirs on site to attract consumer patronage.

The year of 2021 marks the 28th anniversary of the establishment of the Group's brand. In June, we launched a new television advertisement under the theme of "The Art of Textiles", demonstrating the Group's 28 years of pursuit of fabric aesthetics and quality sleep. During the Review Period, the representative of the Group was invited to join as a member of the "Design, Marketing and Licensing Services Advisory Committee" by the Hong Kong Trade Development Council, recognising the Group's extensive experience in authorised brand management. Besides, the Group received the "China Licensing Awards" jointly awarded by the International Licensing Industry Merchandisers' Association and the Licensing Expo Shanghai.

PROSPECTS

In the second half of 2021, the market expects the COVID-19 pandemic will soon be under effective containment following the increasing COVID-19 vaccination rates around the world, helping economies across the globe to get back on track. However, the economic outlook of the Greater China Region remains relatively uncertain due to the rapid emergence of new COVID-19 variants alongside extreme weather events occurring from time to time. Leveraging its diversified product mix, the Group will strive to capture the opportunities arising from the traditional peak seasons for bedding product industry in the second half of a year, and strive to seize opportunities from sales channels such as e-commerce and commercial customers, in the hope to foster synergies for growth in both online and offline businesses.

Mainland China

In the second half of 2021, in terms of self-operated physical retail business, the Group will promote its brands in various places through roadshows and large-scale promotional campaigns to seize the sales opportunities in the peak season. Beside active development of gifts and group purchase sales for commercial customers, the Group will also devote much effort to expand its e-sales business by enriching product portfolio, optimising photo display of products, and exploring new online cooperation channels. On the product front, we will continue to launch products under CASA-V brand which offer 5A features and highlight the function of air purification. At the same time, we will expand the product portfolio of "CoV ZAP Antiviral Series" under the CASABLANCA brand. The Group has been actively developing the mattress business since the second quarter of 2021 with more than 10 mattress products being launched to the market. To better accommodate different needs of consumers, more new mattresses are planned to be launched in the second half of 2021.

In response to its growing demand on product research and development and production capacity, the Group commenced construction on phase II of the Casablanca Industrial Park in Huizhou in December 2020, so as to provide more space for 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 from the commencement of construction. Currently, the construction progress advances as scheduled.

Hong Kong

We are cautiously optimistic about the business in the second half of 2021 as the Group expects that the Hong Kong government's issuance of electronic consumption vouchers to the public in the second half of 2021 will help boost consumer sentiment among citizens and the second half of a year is the traditional peak season for the sales of department stores across Hong Kong. The Group will continue to strengthen its promotional efforts on cartoon products. Apart from the consignment of authorised products in the booth of Crayon Shin-chan's licensor at the Ani-Com & Games Hong Kong 2021 in July, we will also open Pop-up Stores with different cartoon themes in multiple large shopping malls during the summer vacation. It is expected that the sales revenue from each promotional campaign will be benefitted from the holiday consumption boom and the effect of the government's electronic consumption vouchers.

In addition to the launch of new television advertisement under the theme of "The Art of Textiles" and the product sponsorship for a series of television game programs in June, the Group's brand promotional efforts have proven fruitful with the product sponsorship and advertising placement for a popular television drama, "Ossan's Love", in July, which successfully attracted numerous consumer inquiries and purchases of the bedding products used by the leading actors in the drama.

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. It will also continue to broaden the revenue streams and enhance its brand value to bring satisfactory returns to the shareholders of the Company (the "Shareholders") in the long term.

FINANCIAL REVIEW

Revenue

During the Period, the Group achieved revenue of HK$142.7 million (2020: HK$135.8 million), which increased by 5.0% as compared to the corresponding period last year. The increase in overall revenue was primarily due to the increase in sales of the Group for the Period as the market condition had improved due to the COVID-19 pandemic being relatively under control in Hong Kong and Mainland China during the Period.

Self-operated retail sales during the Period amounted to HK$103.9 million (2020: HK$98.5 million), accounted for approximately 72.8% (2020: 72.5%) of the total revenue, representing an increase of 5.5% as compared to the corresponding period last year despite the number of self-operated POS recorded a year-on-year decrease by 16 due to the decrease of COVID-19 infection cases in Hong Kong and Mainland China in the Period when compared to early 2020. During the Period, sales to distributors increased by 55.1% to HK$13.2 million (2020: HK$8.5 million) for the same reason due to the better control of COVID-19 pandemic in Mainland China. With less sales to wholesale customers as compared to the corresponding period last year, sales to others during the Period amounted to HK$11.5 million (2020: HK$14.0 million) representing a decrease of 18.2%. The e-sales during the Period slightly decreased by 4.9% to HK$14.1 million (2020: HK$14.8 million).

In terms of brands, sales of our proprietary brands, which accounted for approximately 83.3% (2020: 83.3%) of the Group's revenue, increased by 5.0% to HK$118.9 million (2020: HK$113.2 million) due to the rebound of retail sales and sales to distributors during the Period. The sales of our licensed and authorised brands for the Period increased by 5.1% to HK$23.8 million (2020: HK$22.7 million) as more marketing activities had been held for licensed and authorised brands products in Hong Kong for the Period.

In terms of products, sales of bed linens during the Period were HK$79.5 million (2020: HK$78.5 million). During the Period, sales of duvets and pillows were HK$55.1 million (2020: HK$50.5 million) and sales of other home accessories were HK$8.1 million (2020: HK$6.8 million). The reason for increases in sales of duvets and pillows by 9.0% and other home accessories by 18.2% during the Period was due to the improved sales in Mainland China as compared to the corresponding period last year.

In terms of regions, revenues during the Period were HK$106.5 million (2020: HK$104.6 million) from Hong Kong and Macau and HK$36.2 million (2020: HK$31.2 million) from Mainland China. Both increases in revenue from Hong Kong and Macau by 1.8% and Mainland China by 15.7% were primarily due to the decrease of COVID-19 infection cases in Hong Kong and Mainland China during the Period when compared to the corresponding period last year.

Gross Profit and Gross Profit Margin

During the Period, the Group achieved gross profit of HK$89.3 million (2020: HK$84.4 million), which increased by 5.8% as compared to the corresponding period last year. The overall gross profit margin for the Period was 62.6% which was at a similar level as compared to that of 62.1% for the corresponding period last year.

Other Income

Other income for the Period amounted to HK$0.7 million (2020: HK$4.8 million), mainly representing dividend income of HK$0.4 million (2020: nil) from financial assets, subsidies of HK$0.1 million (2020: HK$2.8 million) from the Government of Hong Kong Special Administrative Region and other miscellaneous income of HK$0.2 million (2020: HK$2.0 million).

Other Losses

Other losses for the Period amounted to HK$0.3 million (2020: HK$3.5 million), mainly representing the impairment losses on assets of HK$0.5 million (2020: HK$1.6 million), the loss allowance on trade and other receivables of HK$0.1 million (2020: HK$0.7 million) offsetting against the net exchange gains of HK$0.3 million (2020 net exchange losses: HK$0.8 million).

Expenses

Selling and distribution costs for the Period slightly increased by 2.5% to HK$66.6 million from HK$64.9 million for the corresponding period last year. The increase in selling and distribution costs was primarily due to more advertisements in Hong Kong and the increase in computer expenses for RFID system during the Period.

Administrative expenses for the Period slightly decreased by 5.6% to HK$20.3 million as compared with HK$21.5 million for the corresponding period last year. The decrease in administrative expenses was primarily attributable to the decreases in depreciation and legal and professional fees during the Period.

Profit for the Period

The Group's profit for the Period attributable to owners of the Company amounted to HK$1.6 million (2020 loss: HK$2.2 million). Reasons for the turnaround from loss to profit were primarily attributable to (i) the increase in sales of the Group for the Period as the market condition had improved due to the COVID-19 pandemic being relatively under control in Hong Kong and Mainland China during the Period; and (ii) the decrease in provisions for impairment losses on assets.

EBITDA represents gross profit less selling and distribution costs and administrative expenses, adding back depreciation. The Group's EBITDA for the Period increased to HK$15.8 million from HK$12.4 million for the corresponding period last year, representing an increase of 28.0%. This was mainly attributable to the increase in total sales for the Period.

Liquidity, Financial Resources and Capital Structure

During the Period, the Group adhered to the principle of prudent financial management in order to minimise financial and operational risks. The Group financed its operations with internally generated cash flows. The financial position of the Group was healthy with net cash at 30 June 2021.

	As at 30 June 2021 *HK$'000*	As at 31 December 2020 *HK$'000*
Total bank borrowings	–	2,375
Pledged bank deposit and bank balance and cash	**154,659**	194,629
Net cash	**154,659**	192,254
Total assets	**473,301**	510,573
Total liabilities	**70,415**	85,780
Total equity	**402,886**	424,793
Current ratio	**4.6**	4.3

The Group had no bank borrowings at 30 June 2021. At 31 December 2020, the bank borrowings of the Group were HK$2.4 million being variable-rated borrowings with effective interest rate at 5.74% and repayable not more than one year.

As at 30 June 2021, the pledged bank deposit of the Group was approximately HK$6.1 million (31 December 2020: HK$6.2 million), which was denominated in HKD and RMB, and the bank balances and cash of the Group were approximately HK$148.6 million (31 December 2020: HK$188.4 million) which were mainly denominated in HKD and RMB except for about 3.2% (31 December 2020: 2.6%) in United States dollars and Euro. The decrease in bank balances and cash of the Group was primarily due to the final dividend payment and the payments for construction of phase II of the Casablanca Industrial Park in Huizhou, the PRC during the Period.

Foreign Exchange Exposure

The Group carries on its business mainly in Hong Kong and the PRC. The Group is exposed to foreign exchange risk principally in RMB which may affect the Group's performance. Although the fluctuation of RMB against HKD was not significant during the Period, the management is aware of the possible exchange rate exposure on RMB and will closely monitor its impact on the performance of the Group to assess 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.

Pledge of Assets

As at 30 June 2021, no leasehold land and buildings were pledged to banks as securities for banking facilities granted to the Group (31 December 2020: nil). The Group had pledged only its fixed deposits with an aggregate value of HK$6.1 million (31 December 2020: HK$6.2 million) to certain banks in Hong Kong and Mainland China to secure banking facilities granted to the Group at 30 June 2021.

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.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the Period.

Significant Investments

As at 30 June 2021, the Group did not hold any significant investments.

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. To cope with its business development and expansion, the Group will also consider to acquire properties for its own use when necessary. For medium to long-term investment purposes, the Company may consider investing in shares of companies listed on the Stock Exchange and investment properties to strive for better return in the medium to long-term by utilizing surplus cash on hand.

As at 30 June 2021, the Company had total investments of HK$7.2 million (31 December 2020: HK$5.2 million) in shares of companies listed on the Stock Exchange which were held for medium to long term investment purposes and represented not more than 5% of the Group's total assets. On 8 July 2021, the Group made further investment of about HK$1.4 million in shares of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) purchased on the Stock Exchange and intended to hold the investment for a medium to long-term.

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 and a total construction area of 24,959.4 square metres for phase II of the Casablanca Industrial Park in Huizhou, the PRC at a total consideration of RMB48.6 million (equivalent to approximately HK$58.4 million). References are made to the announcements of the Company dated 16 April 2021 and 30 October 2020 and the circular of the Company dated 15 December 2020 in relation to the Construction Agreements. Up to 30 June 2021, the Company had made progress payments of about RMB21.1 million (equivalent to approximately HK$25.4 million) for the Construction Agreements under which the construction was on schedule and is expected to be completed not later than December 2021 as expected.

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.

INTERIM DIVIDEND

On 27 August 2021, the Board has declared an interim dividend of HK$0.05 per ordinary share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil). The interim dividend will be payable on Monday, 27 September 2021 to the Shareholders whose names appeared on the register of members of the Company on Thursday, 16 September 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 14 September 2021 to Thursday, 16 September 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim 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, 13 September 2021.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021 the employee headcount of the Group was 525 (2020: 593) and the total staff costs, including Directors' remuneration, amounted to HK$43.3 million (2020: HK$42.5 million). The decrease in employee headcount of the Group was primarily due to the close-down of some of self-operated POS in Mainland China with less profitability in the second half of 2020. Despite the decrease in employee headcount, the slight increase in total staff costs was mainly due to the inability to obtain exemptions on social security funds in Mainland China for the Period as compared to the corresponding period last year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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 Directors consider the Company has complied with the code provisions as set out in the CG Code during the Period. Save as disclosed herein, the Company considers that there has been no deviation from the code provisions of the CG Code during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct for the Directors in their dealings in the Company's securities on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had complied with the required standard of dealings as required by the Company's code of conduct and the Model Code throughout the Review Period. Save as disclosed herein, the Company considers that there has been no deviation from the Company's code of conduct and the Model Code during the Review Period.

REVIEW OF INTERIM RESULTS

The Company has established the audit committee in compliance with rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process, risk management and internal audit functions and control. The audit committee of the Company, comprising three Independent Non-executive Directors, namely Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa, and chaired by Mr. Lo Siu Leung, has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group for the six months ended 30 June 2021.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been reviewed by our auditors, CHENG & CHENG LIMITED, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 27 August 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.