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## Casablanca Group Limited

## 卡撒天嬌集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2223)

### ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS				
		Six months ended 30 June		
	Notes	2024	2023	Change
Revenue (HK\$'000)		112,912	128,861	-12.4%
Gross profit (HK\$'000)		74,731	85,267	-12.4%
Loss for the period attributable to owners of the Company (HK\$'000)		(8,766)	(8,638)	1.5%
Gross profit margin		66.2%	66.2%	
Net loss margin		-7.8%	-6.7%	
Loss per share				
– Basic (HK cents)		(3.40)	(3.35)	1.5%
– Diluted (HK cents)		(3.40)	(3.35)	1.5%
		As at	As at	
		30/06/2024	31/12/2023	Change
Total assets (HK\$'000)		440,029	466,275	-5.6%
Total equity (HK\$'000)		366,471	380,753	-3.8%
Total bank balances and cash (HK\$'000)	1	123,957	132,383	-6.4%
Gross gearing ratio	2	0.0%	0.0%	
Notes:				
1.	Total bank balances and cash included pledged bank deposits.			
2.	Gross gearing ratio is calculated as total bank borrowings divided by total equity and is at 0% without banking borrowings at 30 June 2024 and 31 December 2023.			

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 2024 (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 2024

		Six months ended 30 June	
	Notes	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	4	112,912	128,861
Cost of goods sold		(38,181)	(43,594)
Gross profit		74,731	85,267
Other income	5	2,822	1,575
Other losses	6	(55)	(1,691)
Selling and distribution costs		(64,547)	(73,735)
Administrative expenses		(21,791)	(22,096)
Finance costs		(913)	(573)
Loss before taxation	7	(9,753)	(11,253)
Taxation	8	486	68
Loss for the period		(9,267)	(11,185)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(4,725)	(9,386)
Release of translation reserve upon deregistration of a subsidiary		(634)	—
Other comprehensive expense for the period		(5,359)	(9,386)
Total comprehensive expense for the period		(14,626)	(20,571)
Loss for the period attributable to:			
Owners of the Company		(8,766)	(8,638)
Non-controlling interests		(501)	(2,547)
		(9,267)	(11,185)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(14,136)	(17,934)
Non-controlling interests		(490)	(2,637)
		(14,626)	(20,571)
Loss per share	10		
– Basic (HK cents)		(3.40)	(3.35)
– Diluted (HK cents)		(3.40)	(3.35)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		151,283	157,715
Right-of-use assets		40,269	31,565
Investment properties		19,402	20,417
Intangible assets		–	–
Deposits paid for acquisition of property, plant and equipment		522	697
Rental and other deposits		2,205	3,115
Deferred tax assets		1,333	604
		<b>215,014</b>	<b>214,113</b>
<b>Current assets</b>			
Inventories		53,996	59,937
Trade and other receivables	11	37,875	51,835
Financial assets at fair value through profit or loss		7,129	6,325
Taxation recoverable		2,058	1,682
Pledged bank deposits		6,179	9,182
Bank balances and cash		117,778	123,201
		<b>225,015</b>	<b>252,162</b>
<b>Current liabilities</b>			
Trade and other payables	12	45,862	67,520
Lease liabilities		13,867	9,749
Taxation payable		392	287
		<b>60,121</b>	<b>77,556</b>
Net current assets		<b>164,894</b>	<b>174,606</b>
Total assets less current liabilities		<b>379,908</b>	<b>388,719</b>
<b>Non-current liabilities</b>			
Lease liabilities		12,989	7,490
Deferred tax liabilities		448	476
		<b>13,437</b>	<b>7,966</b>
Net assets		<b>366,471</b>	<b>380,753</b>
<b>Capital and reserves</b>			
Share capital		25,785	25,785
Reserves		344,340	358,132
Equity attributable to owners of the Company		<b>370,125</b>	<b>383,917</b>
Non-controlling interests		(3,654)	(3,164)
Total equity		<b>366,471</b>	<b>380,753</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2024*

### 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 D2 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 2023.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

The condensed consolidated financial statements have been prepared on the historical cost basis 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 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 conforming 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 results 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 Mainland China and Hong Kong and Macau (collectively the "Greater China Region"), 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	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Disaggregated by distribution channels		
– Self-operated retail sales	84,901	94,147
– E-sales	12,169	19,043
– Sales to distributors	7,315	7,954
– Others	8,527	7,717
	<u>112,912</u>	<u>128,861</u>

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Disaggregated by major products		
– Bed linens	63,249	70,136
– Duvets and pillows	43,258	48,186
– Others	6,405	10,539
	<u>112,912</u>	<u>128,861</u>

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Disaggregated by geographical location of customers		
– Hong Kong and Macau	85,414	95,482
– Mainland China	26,911	33,082
– Others	587	297
	<u>112,912</u>	<u>128,861</u>

## 5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	837	570
Government subsidies	10	10
Dividend income	396	417
Rental income	1,336	356
Others	243	222
	<u>2,822</u>	<u>1,575</u>

## 6. OTHER LOSSES

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
(Loss)/gain on disposals and written off of property, plant and equipment	(8)	30
Net exchange losses	(943)	(1,630)
Net (loss allowance)/reversal of loss allowance on trade receivables	(542)	31
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	804	(122)
Gain on deregistration of a subsidiary	634	–
	<u>(55)</u>	<u>(1,691)</u>

## 7. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	39,478	41,751
Retirement benefit schemes contributions	3,159	3,122
Share-based payments	344	–
Total staff costs	<u>42,981</u>	<u>44,873</u>
Net allowance/(reversal of allowance) for inventories (included in cost of goods sold)	601	(618)
Cost of inventories recognised as expenses	37,580	44,212
Depreciation of property, plant and equipment	5,526	4,526
Depreciation of investment properties	542	203
Depreciation of right-of-use assets	8,311	8,120
Expenses relating to short-term leases	5,366	5,505
Variable lease payments not included in the measurement of lease liabilities	<u>8,284</u>	<u>10,197</u>

## 8. TAXATION

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	214	504
Enterprise Income Tax ("EIT") in Mainland China	57	–
	<u>271</u>	<u>504</u>
Deferred taxation	(757)	(572)
	<u>(486)</u>	<u>(68)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2023: 16.5%) to the six months ended 30 June 2024, except for a 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 2023.

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25%.

## 9. DIVIDEND

No dividends were paid, declared or proposed during the interim period (2023: Nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period (2023: Nil).

## 10. LOSS PER SHARE

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

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(8,766)</u>	<u>(8,638)</u>
	<b>Six months ended 30 June</b>	<b>2024</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>257,854,000</u>	<u>257,854,000</u>

The diluted loss per share for the six months ended 30 June 2024 and 30 June 2023 has not taken into account the effect of outstanding share options as exercise of such options would have anti-dilutive effect.



## 11. TRADE AND OTHER RECEIVABLES

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Trade receivables	22,112	35,553
Less: Loss allowance	(1,413)	(897)
Trade receivables, net	<u>20,699</u>	<u>34,656</u>
Deposits	4,348	3,001
Prepayments	3,717	4,716
Value added tax recoverable	5,824	6,948
Advances to employees	1,254	704
Other receivables	2,033	1,810
	<u>17,176</u>	<u>17,179</u>
Trade and other receivables	<u><u>37,875</u></u>	<u><u>51,835</u></u>

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.

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Within 30 days	9,950	20,026
31 to 60 days	5,496	8,323
61 to 90 days	2,521	3,776
91 to 180 days	2,027	1,214
181 to 365 days	705	511
Over 365 days	–	806
	<u>20,699</u>	<u>34,656</u>

## 12. TRADE AND OTHER PAYABLES

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Trade payables	10,380	17,090
Bills payables	17,264	27,274
	<hr/>	<hr/>
Trade and bills payables	27,644	44,364
	<hr/>	<hr/>
Deposits received from customers	2,460	2,448
Accrued expenses	6,123	8,258
Salaries payables	3,327	6,753
Payable for acquisition of property, plant and equipment	4,308	4,104
Other payables	1,586	955
Contract liabilities	414	638
	<hr/>	<hr/>
	18,218	23,156
	<hr/>	<hr/>
Trade and other payables	45,862	67,520
	<hr/>	<hr/>

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.

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Within 30 days	7,471	13,300
31 to 60 days	8,302	16,582
61 to 90 days	4,713	7,732
91 to 180 days	6,060	6,283
Over 180 days	1,098	467
	<hr/>	<hr/>
	27,644	44,364
	<hr/>	<hr/>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

In the first half of 2024, the conflict between Russia and Ukraine persisted, alongside ongoing hostilities involving Israel and its neighboring regions. These global political and economic uncertainties continued to impact consumer confidence in the Greater China Region. In the second quarter of 2024, the economic growth of Mainland China experienced disruptions due to short-term factors, such as extreme weather conditions. Despite these challenges, Mainland China achieved a 5% year-on-year growth in Gross Domestic Product for the first half of 2024. Concerns regarding the growth rate of total retail sales of social consumer goods and performance of the real estate market have prompted a more cautious spending behavior among consumers. During the Review Period, there was a noticeable decline in customer traffic at shopping malls and department stores in Hong Kong. This was attributable to several factors, including the propensity of Hong Kong residents to travel overseas during long holidays, their increased travel and consumption in Mainland China, and a significant reduction in tourist arrivals as compared to pre-COVID-19 levels. Consequently, these conditions have led to a sluggish consumer market, posing operational challenges for the catering and retail sectors in Hong Kong.

### **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 2023 was published. During the Review Period, total sales of the Group amounted to HK\$112.9 million, representing a decrease of 12.4% as compared to HK\$128.9 million recorded for the corresponding period of 2023. During the Review Period, the loss attributable to owners of the Company was HK\$8.8 million, which is similar to the loss attributable to owners of the Company of HK\$8.6 million for the corresponding period of 2023.

#### **Adjusted Sales Channels**

As of 30 June 2024, the Group had a total of 157 points of sales ("POS") (31 December 2023: 156), among which 113 were self-operated POS and 44 were distributor-operated POS. During the Review Period, a large number of Hong Kong citizens travelled abroad during public holidays such as the Lunar New Year and Easter, while the trend for them to travel to and consume in Mainland China over weekends continued. Concurrently, there has been a weakening in consumer confidence in Hong Kong. As a result, the Group's self-operated retail sales and sales to distributors declined by 9.8% and 8.0% year-on-year, respectively.

In respect of the online retail business, the Group's official online store in Hong Kong periodically launched themed promotional offers during the Review Period, which were very well received by customers. In Mainland China, the Group strategically allocated a majority of its resources towards managing self-operated online stores on prominent platforms such as TMall and JD.com. Being affected by the litigation initiated by Casa Living New Retail (Guangdong) Co., Ltd.\* (卡撒生活新零售(廣東)有限公司 and "Casa Living", a non-wholly owned subsidiary of the Group) claiming for due and unpaid capital contribution from its shareholder, e-sales dropped significantly by 36.1% during the Review Period as a result of the decrease in the number of livestream sales activities in Mainland China.

During the Review Period, the Group supplied items for giveaway campaigns and point redemption schemes of various commercial customers in Hong Kong, including convenience stores, electrical appliance chain stores, public utility companies and personal care products brands. In addition, the Group also provided original equipment manufacturing (OEM) products to various customers. During the Review Period, the sales to other customers by the Group increased by 10.5% as compared to the corresponding period last year due to the new orders received from commercial customers in Mainland China.

### **Enhanced Product Mix**

During the Review Period, the sales of a series of cartoons bedding products continued to bring significant contribution to the Group's revenue. The Group has a diversified cartoon product portfolio. In addition to the "Beloved Series" designed in-house by the Group, we also own various licences, including "Lan Lan Cat", "Chibi Maruko Chan", "Crayon Shin-chan", "B.Duck", "Minions", "PJai & Friends", "LuLu the Piggy", "Pokemon" and "BT21". Last year, the products licensed under "The Moomins" and "Fumeancats" were once again highly favoured by consumers, while customers purchasing licensed products of the popular Japanese anime character "Chiikawa" frequently experienced waitlists.

In order to safeguard consumers' health while sleeping, the Group has been striving to apply different technological materials in our products. During the Review Period, we launched the brand new "CuDry+ Copper Ion Easy-drying Bedding Series". The "Antibacterial Knitted Blanket", the first product of the series, has been verified by national standard that this textile's evaporative rate (before washing) and moisture permeability (before washing) meet the designated moisture absorption and quick-drying performance standards, and has been proven to be able to inhibit *Escherichia coli*, *Staphylococcus aureus* and *Candida albicans* effectively. The product possesses outstanding long-lasting antibacterial function and anti-odor properties, while its easy-drying function is convenient for frequent washing and drying by users in Hong Kong's hot and damped environment, offering them dry and comforting sleeping experience.

## **Strengthened Brand Leadership Position**

2024 marks the 31st anniversary of the establishment of the Casablanca brand in Hong Kong. The Group continued the 30th anniversary activities of last year with the theme of “30+ Dream Casa Love Casa” to convey Casablanca brand’s idea of supporting everyone to pursue their dreams by establishing a warm and comfortable home environment. The Group will launch interactive activities on its social media pages to engage the public in the third quarter, in order to attract consumer attention to our brand developments. During the Review Period, the Group was honoured by Shenzhen Top Brand Appraisal Committee with the titles of “Shenzhen Top Brand” and “The Greater Bay Area Top Brand”.

## **PROSPECTS**

For the second half of 2024, the prevailing uncertainties of global politics and economic prospects are anticipated to persistently influence consumer confidence in the Greater China Region. To facilitate the economic growth of Mainland China, the Political Bureau of the Central Committee convened a meeting at the end of July, during which the initiatives aimed at boosting consumption, as well as expanding domestic demand had been proposed. The focus of economic policies is shifting towards enhancing people’s livelihood and facilitating consumption. Efforts are being made to increase citizen’s income through multiple channels, with the objective of improving consumption power and willingness of low-middle income groups. However, it is expected that there will be no significant changes of the trend for Hong Kong citizens to consume abroad in the short run, and policy effects may take time due to the vast size of the Mainland market. The Group will adopt a prudent approach in expanding revenue streams and reducing expenditure in the second half of 2024 to effectively address these challenges.

### **Mainland China**

In the second half of 2024, the Group intends to continue expanding the number of POS locations for its self-operated retail business in Southern China, capitalising on the geographical and brand advantages that the Group holds in the region. In respect of the distributor-sales business, following the realignment of distributors’ distribution in 2023 and strategic adjustments in the first half of 2024, it is expected that the growth in number of distributor-operated POS will resume in the second half of 2024, while additional distributor-operated POS will be opened in the Northwest market.

In respect of the wholesale business, the Group has formed a strategic alliance with a leading furniture brand in Mainland China during the third quarter of 2024. The Group will sell its branded bedding products on wholesale basis to this partner who in turn will sell them through its sales channels. The customer intends to increase approximately 30 points-of-sale during the second half of 2024. This collaboration is expected to be beneficial to both the Group’s sales performance and brand image. The Group is currently engaged in negotiations with other commercial clients for more product proposals, with the objective of enhancing the contribution of wholesale business to our future revenue streams.

For the online business segment, the Group will continue to deploy the strategic plan of “Douyin in the South and Kuaishou in the North” to facilitate its online sales business. Following several official communications with Douyin in the third quarter of 2024, the Group has successfully established a presence on its local lifestyle group buying platform and achieved integration of online and offline operations. This strategic move is aimed at enhancing both the sales and customer traffic of its physical POS.

## **Hong Kong**

The Group’s distribution network remains relatively stable and is mainly under the influence of shopping malls and department stores. The Group will open a self-operated store in a shopping mall in Tin Shui Wai during the third quarter of 2024, which benefits from robust customer traffic. Additionally, a concession counter will be opened in SOGO HK’s Kai Tak branch in September, marking the first stationing of the Group’s POS in that residential area. Given the increasing number of young families and the completion of new residences in the vicinity, the establishment of such POS is expected to bring about positive impact to the Group’s brand image and product sales.

The release of various animated films including “Crayon Shin-chan” and “Minions” during the summer season, coupled with events like the Animation-Comic-Game Hong Kong during the same period and the exhibitions featuring various cartoon characters in department stores, contributed positively to the sales of the Group’s cartoon licensed products. In preparation for the traditional peak season for bedding sales during the second half of 2024, the Group has prepared to launch new pillow products under the “Casa Sleep-Lab” brand. Additionally, a new collection of down duvets will be launched, aiming at providing consumers with a warm and comfortable sleeping environment by the winter season.

Adhering to its “Contemporary, Innovative and Functional” design concept, the Group strives to integrate sustainable growth, environmental protection and social responsibility into its business strategies to provide consumers with quality bedding products of fashionable designs and at reasonable prices, as well as home accessories that are trendy yet practical and bring benefits to the society. It will also continue to broaden its revenue streams and enhance its brand value so as to bring satisfactory returns to shareholders of the Company (the “Shareholders”) in the long run.

## FINANCIAL REVIEW

### Revenue

During the Period, the Group achieved revenue of HK\$112.9 million (2023: HK\$128.9 million), which decreased by 12.4% as compared to the corresponding period last year. The decrease in overall revenue of the Group for the Period was primarily due to decreases in retail sales in Hong Kong and livestream sales in Mainland China.

Self-operated retail sales during the Period amounted to HK\$84.9 million (2023: HK\$94.1 million), accounted for approximately 75.2% (2023: 73.0%) of the total revenue, representing a decrease of 9.8% as compared to the corresponding period last year as a result of the weak consumption sentiment in Hong Kong since many of the citizens travelled overseas or to Mainland China. E-sales for the Period decreased by 36.1% to HK\$12.2 million (2023: HK\$19.0 million) due to less livestream sales activities in Mainland China after the initiation of legal claims by Casa Living in January 2024 for unpaid capital contributions against its shareholder, who was responsible for the operations of the livestream sales business. During the Period, sales to distributors decreased by 8.0% to HK\$7.3 million (2023: HK\$8.0 million) due to the reduction in number of distributor-operated POS. Sales to others increased by 10.5% to HK\$8.5 million (2023: HK\$7.7 million) as a result of the improvement in wholesale and export.

In terms of brands, sales of our proprietary brands, which accounted for approximately 80.0% (2023: 82.5%) of the Group's revenue, decreased by 15.1% to HK\$90.3 million (2023: HK\$106.4 million) due to the decrease in overall sales during the Period. Sales of our licensed and authorised brands slightly decreased by 0.6% to HK\$22.4 million (2023: HK\$22.5 million).

In terms of products, sales of bed linens and sales of duvets and pillows during the Period were HK\$63.2 million (2023: HK\$70.1 million) and HK\$43.3 million (2023: HK\$48.2 million) respectively. The reason for decreases in sales of bed linens by 9.8% and sales of duvets and pillows by 10.2% during the Period was mainly due to the decrease in overall sales. During the Period, sales of other products decreased by 39.2% to HK\$6.4 million (2023: HK\$10.5 million). The decrease in sales of other products during the Period was due to less livestream sales activities in Mainland China which were mainly on sales of other products.

In terms of regions, revenues during the Period were HK\$85.4 million (2023: HK\$95.5 million) from Hong Kong and Macau and HK\$26.9 million (2023: HK\$33.1 million) from Mainland China. The decrease in revenue from Hong Kong and Macau by 10.5% was attributable to the weak consumption sentiment in Hong Kong. The decrease in revenue from Mainland China by 18.7% was primarily due to decreases in e-sales and sales to distributors in Mainland China during the Period.



## **Gross Profit and Gross Profit Margin**

During the Period, the Group achieved gross profit of HK\$74.7 million (2023: HK\$85.3 million) which decreased by 12.4%. The overall gross profit margin for the Period was same at 66.2% as for the corresponding period last year.

## **Other Income**

Other income for the Period increased by 79.2% to HK\$2.8 million (2023: HK\$1.6 million), mainly representing interest income of HK\$0.8 million (2023: HK\$0.6 million), rental income of HK\$1.3 million (2023: HK\$0.4 million), dividend income of HK\$0.4 million (2023: HK\$0.4 million) from financial assets and other miscellaneous income of HK\$0.2 million (2023: HK\$0.2 million).

## **Other Losses**

Other losses for the Period decreased by 96.7% to HK\$0.1 million (2023: HK\$1.7 million), mainly representing the net exchange losses of HK\$0.9 million (2023: HK\$1.6 million) and the loss allowance on trade receivables of HK\$0.5 million (2023 reversal of loss allowance: HK\$0.1 million) being offset by the net unrealised gains on financial assets of HK\$0.8 million (2023 net unrealised losses: HK\$0.1 million) and the gain on deregistration of a subsidiary of HK\$0.6 million (2023: Nil).

## **Expenses**

Selling and distribution costs for the Period decreased by 12.5% to HK\$64.5 million (2023: HK\$73.7 million) as a result of decreases in retail sales commissions in Hong Kong and expenses incurred for the livestream sales business in Mainland China, while administrative expenses for the Period maintained at the similar level at HK\$21.8 million as compared to HK\$22.1 million for the corresponding period last year.

## **Loss for the Period**

The Group's loss for the Period decreased by 13.3% to HK\$9.8 million (2023: HK\$11.3 million) as a result of the decline in overall revenue of the Group. The loss attributable to owners of the Company for the Period maintained at the similar level at HK\$8.8 million as compared to HK\$8.6 million for the corresponding period last year.

## **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 mainly financed its operations with internally generated cash flows. The financial position of the Group was healthy with net cash at 30 June 2024.



	As at <b>30 June 2024</b> <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Pledged bank deposit and bank balance and cash	<b>123,957</b>	132,383
Total assets	<b>440,029</b>	466,275
Total liabilities	<b>73,558</b>	85,522
Total equity	<b>366,471</b>	380,753
Current ratio	<b>3.7</b>	3.3
Gearing ratio	<b>0.0%</b>	0.0%

As at 30 June 2024, the pledged bank deposit of the Group was approximately HK\$6.2 million (31 December 2023: HK\$9.2 million), which was denominated in HKD and RMB, and the bank balances and cash of the Group were approximately HK\$117.8 million (31 December 2023: HK\$123.2 million) which were denominated mainly in HKD and RMB, except for about 0.5% (31 December 2023: 0.5%) in United States dollars and Euro.

The Group had no bank borrowings at 30 June 2024 and 31 December 2023.

### 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 depreciated by about 2.3% against HKD during the Period (the year of 2023: depreciated by about 2.7%). 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 2024, no leasehold land and buildings were pledged to banks as securities for banking facilities granted to the Group (31 December 2023: Nil). The Group had pledged only its fixed deposits with an aggregate value of HK\$6.2 million (31 December 2023: HK\$9.2 million) to certain banks in Hong Kong and Mainland China to secure banking facilities granted to the Group at 30 June 2024.

### Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

## **Employee and Remuneration Policy**

As at 30 June 2024, the employee headcount of the Group was 522 (2023: 528) and the total staff costs, including Directors' remuneration, amounted to HK\$43.0 million (2023: HK\$44.9 million). The decreases in both the employee headcount and the total staff costs were mainly due to a reduction of employees employed in Mainland China for the livestream sales business 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.

## **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 2024, 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 30 June 2024, the Group had total investments with fair value of HK\$7.1 million (31 December 2023: HK\$6.3 million) which were not more than 5% of the Group's total assets. The increase in financial assets at FVTPL was mainly attributable to an amount of net unrealised gain on financial assets at FVTPL of about HK\$0.8 million (2023 net unrealised loss: HK\$0.1 million) which was mainly derived from increases in prices of listed shares as held at 30 June 2024. 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 in the long run in addition to steady dividend income every year. Dividend income for the Period from these investments in shares of companies listed on the Stock Exchange was HK\$0.4 million (2023: HK\$0.4 million).

## **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. As at 30 June 2024, the Group had investments in shares of companies listed on the Stock Exchange as disclosed for financial assets at FVTPL above.

The Group will review its business strategy in respect of its capital assets (including but not limited to properties owned 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 owned by the Group having regard to the operational needs of the Group, actual circumstance and the interest of the Group as a whole. As at 30 June 2024, the Group leased out investment properties with total carrying amount of HK\$19.4 million (at 31 December 2023: HK\$20.4 million) under operating leases which run for two to five years.

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.

## **Update on Litigation Initiated by a Non-wholly-owned Subsidiary**

References are made to the announcements of the Company dated 26 March 2024, 2 April 2024, 8 April 2024, 10 May 2024 and 14 May 2024 in relation to, amongst others, a litigation (the “Litigation”) initiated by Casa Living against 湖南柒星創想科技有限公司 (Hunan Seven Star Chuang Xiang Technology Co., Ltd.\*) (“Hunan Seven Star”) in respect of the due and unpaid capital contributions in the total amount of RMB3,000,000 under a joint venture agreement dated 5 October 2022 (the “JV Agreement”) entered into between, amongst others, Hunan Seven Star and Jollirich Investment Limited (an indirect wholly-owned subsidiary of the Company).

At the hearing before a judge at the Huicheng District Court on 5 July 2024, Hunan Seven Star, as defendant, was absent. As at the date of this announcement, the judgment in respect of the Litigation has not been handed down by the Huicheng District Court.

As at the date of this announcement, the Board considers that the Litigation does not have any material adverse effect on the operation and financial positions of the Group and the business and operations of the Company remain normal and stable.

The Company will make further announcement(s) to inform Shareholders and potential investors in respect of further material developments in connection with the Litigation and/or the JV Agreement in accordance with the Listing Rules as and when appropriate.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## **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**

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix C1 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 Review 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 C3 to the Listing Rules (the "Model Code"). Having made specific enquiry to all the Directors, 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 code provision D.3 of the CG Code for the purpose of reviewing and supervising the Group's financial reporting system, risk management and internal control systems. 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 2024.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 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.

*\* For identification purpose only.*

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

Hong Kong, 23 August 2024

*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.*