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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 THE SIX MONTHS ENDED 30 JUNE 2025

| FINANCIAL HIGHLIGHTS | | | | |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------|--------|
| | | Six months ended 30 June | | |
| | Notes | 2025 | 2024 | Change |
| Revenue (HK\$'000) | | 108,960 | 112,912 | -3.5% |
| Gross profit (HK\$'000) | | 72,693 | 74,731 | -2.7% |
| Loss for the period attributable to owners of the Company (HK\$'000) | | (12,218) | (8,766) | 39.4% |
| Gross profit margin | | 66.7% | 66.2% | |
| Net loss margin | | -11.2% | -7.8% | |
| Loss per share | | | | |
| – Basic (HK cents) | | (4.74) | (3.40) | 39.4% |
| – Diluted (HK cents) | | (4.74) | (3.40) | 39.4% |
| | | As at | As at | |
| | | 30/06/2025 | 31/12/2024 | Change |
| Total assets (HK\$'000) | | 430,524 | 448,366 | -4.0% |
| Total equity (HK\$'000) | | 358,289 | 364,710 | -1.8% |
| Total bank balances and cash (HK\$'000) | 1 | 134,882 | 137,608 | -2.0% |
| Gearing ratio | 2 | 0.8% | 0.9% | |
| Notes: | | | | |
| 1. | Total bank balances and cash included pledged bank deposits. | | | |
| 2. | Gearing ratio is calculated as total bank borrowings divided by total equity. The Group was at net cash position, with pledged bank deposits and bank balances and cash more than total borrowings, at 30 June 2025 and 31 December 2024. | | | |

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 2025 (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 2025

| | | Six months ended 30 June | |
|-------------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
| | Notes | 2025 HK\$'000 (unaudited) | 2024 HK\$'000 (unaudited) |
| Revenue | 4 | 108,960 | 112,912 |
| Cost of goods sold | | (36,267) | (38,181) |
| Gross profit | | 72,693 | 74,731 |
| Other income | 5 | 1,244 | 2,822 |
| Other gains (losses) | 6 | 709 | (55) |
| Selling and distribution costs | | (64,913) | (64,547) |
| Administrative expenses | | (22,039) | (21,791) |
| Finance costs | | (850) | (913) |
| Loss before taxation | 7 | (13,156) | (9,753) |
| Taxation | 8 | (204) | 486 |
| Loss for the period | | (13,360) | (9,267) |
| Other comprehensive income (expense) | | | |
| Items that may be subsequently or are reclassified to profit or loss: | | | |
| Exchange differences arising on translation of financial statements of foreign operations | | 5,371 | (4,725) |
| Release of translation reserve upon deregistration of a subsidiary | | – | (634) |
| Other comprehensive income (expense) for the period | | 5,371 | (5,359) |
| Total comprehensive expense for the period | | (7,989) | (14,626) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (12,218) | (8,766) |
| Non-controlling interests | | (1,142) | (501) |
| | | (13,360) | (9,267) |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | (6,812) | (14,136) |
| Non-controlling interests | | (1,177) | (490) |
| | | (7,989) | (14,626) |
| Loss per share | 10 | | |
| – Basic (HK cents) | | (4.74) | (3.40) |
| – Diluted (HK cents) | | (4.74) | (3.40) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

| | Notes | 30.6.2025 HK\$'000 (unaudited) | 31.12.2024 HK\$'000 (audited) |
|----------------------------------------------------------------|-------|--------------------------------------|-------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 147,560 | 146,762 |
| Right-of-use assets | | 36,292 | 37,203 |
| Investment properties | | 18,437 | 18,437 |
| Deposits paid for acquisition of property, plant and equipment | | 516 | 501 |
| Rental and other deposits | | 2,545 | 2,636 |
| Deferred tax assets | | 2,357 | 2,293 |
| | | <u>207,707</u> | <u>207,832</u> |
| Current assets | | | |
| Inventories | | 49,682 | 53,512 |
| Trade and other receivables | 11 | 37,040 | 47,352 |
| Financial assets at fair value through profit or loss | | 997 | 1,805 |
| Taxation recoverable | | 216 | 257 |
| Pledged bank deposits | | 5,274 | 8,297 |
| Bank balances and cash | | 129,608 | 129,311 |
| | | <u>222,817</u> | <u>240,534</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 44,908 | 55,706 |
| Financial liability at fair value through profit or loss | | 485 | – |
| Lease liabilities | | 15,583 | 15,320 |
| Taxation payable | | 249 | 146 |
| Bank borrowing | | 526 | 511 |
| | | <u>61,751</u> | <u>71,683</u> |
| Net current assets | | <u>161,066</u> | <u>168,851</u> |
| Total assets less current liabilities | | <u><u>368,773</u></u> | <u><u>376,683</u></u> |
| Non-current liabilities | | | |
| Bank borrowing | | 2,498 | 2,682 |
| Lease liabilities | | 7,545 | 8,937 |
| Deferred tax liabilities | | 441 | 354 |
| | | <u>10,484</u> | <u>11,973</u> |
| Net assets | | <u><u>358,289</u></u> | <u><u>364,710</u></u> |
| Capital and reserves | | | |
| Share capital | | 25,785 | 25,785 |
| Reserves | | 334,953 | 341,648 |
| Equity attributable to owners of the Company | | <u>360,738</u> | <u>376,433</u> |
| Non-controlling interests | | <u>(2,449)</u> | <u>(2,723)</u> |
| Total equity | | <u><u>358,289</u></u> | <u><u>364,710</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

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 2024.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2024.

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 HKAS 21 | Lack of Exchangeability |
|-----------------------|-------------------------|

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 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, excluding such sales 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.
- 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.

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 | |
|----------------------------------------|---------------------------------|------------------------|
| | 2025 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Disaggregated by distribution channels | | |
| – Self-operated retail sales | 81,000 | 84,901 |
| – E-sales | 12,237 | 12,169 |
| – Sales to distributors | 5,366 | 7,315 |
| – Others | 10,357 | 8,527 |
| | 108,960 | 112,912 |

| | Six months ended 30 June | |
|---------------------------------|---------------------------------|------------------------|
| | 2025 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Disaggregated by major products | | |
| – Bed linens | 60,246 | 63,249 |
| – Duvets and pillows | 43,390 | 43,258 |
| – Others | 5,324 | 6,405 |
| | 108,960 | 112,912 |

| | Six months ended 30 June | |
|-----------------------------------------------------|--------------------------|-----------------|
| | 2025 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Disaggregated by geographical location of customers | | |
| – Hong Kong and Macau | 80,017 | 85,414 |
| – Mainland China | 28,943 | 26,911 |
| – Others | – | 587 |
| | <u>108,960</u> | <u>112,912</u> |

5. OTHER INCOME

| | Six months ended 30 June | |
|----------------------|--------------------------|-----------------|
| | 2025 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Bank interest income | 882 | 837 |
| Government subsidies | 214 | 10 |
| Dividend income | 49 | 396 |
| Rental income | – | 1,336 |
| Others | 99 | 243 |
| | <u>1,244</u> | <u>2,822</u> |

6. OTHER GAINS (LOSSES)

| | Six months ended 30 June | |
|----------------------------------------------------------------------------------|--------------------------|-----------------|
| | 2025 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Gain (loss) on disposals and written off of property, plant and equipment | 289 | (8) |
| Net exchange gains (losses) | 776 | (943) |
| Loss allowance on trade receivables | (179) | (542) |
| Realised gain on financial assets at fair value through profit or loss (“FVTPL”) | 232 | – |
| Unrealised gain on financial assets at FVTPL | 76 | 804 |
| Unrealised loss on financial liability at FVTPL | (485) | – |
| Gain on deregistration of a subsidiary | – | 634 |
| | <u>709</u> | <u>(55)</u> |

7. LOSS BEFORE TAXATION

| | Six months ended 30 June | |
|-------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2025 | 2024 |
| | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (unaudited) |
| Loss before taxation has been arrived at after charging/ (crediting): | | |
| Staff costs (including directors' remuneration): | | |
| Salaries, wages and other benefits | 39,431 | 39,478 |
| Retirement benefit schemes contributions | 3,333 | 3,159 |
| Share-based payments | 117 | 344 |
| Total staff costs | 42,881 | 42,981 |
| Net (reversal of allowance) allowance for inventories (included in cost of goods sold) | (153) | 601 |
| Cost of inventories recognised as expenses | 36,420 | 37,580 |
| Depreciation of property, plant and equipment | 5,457 | 5,526 |
| Depreciation of investment properties | 536 | 542 |
| Depreciation of right-of-use assets | 8,675 | 8,311 |
| Expenses relating to short-term leases | 5,206 | 5,366 |
| Variable lease payments not included in the measurement of lease liabilities | 7,528 | 8,284 |

8. TAXATION

| | Six months ended 30 June | |
|-------------------------------------------------|--------------------------------|--------------------------------|
| | 2025 | 2024 |
| | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (unaudited) |
| Current tax | | |
| Hong Kong Profits Tax | 148 | 214 |
| Enterprise Income Tax ("EIT") in Mainland China | 1 | 57 |
| | 149 | 271 |
| Deferred taxation | 55 | (757) |
| | 204 | (486) |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2024: 16.5%) to the six months ended 30 June 2025, 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 2024.

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 (2024: Nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period (2024: 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 | |
|----------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------|
| | 2025 | 2024 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share | <u>(12,218)</u> | <u>(8,766)</u> |
| | Six months ended 30 June | |
| | 2025 | 2024 |
| Number of shares | | |
| 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 2025 and 30 June 2024 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

| | 30.6.2025 <i>HK\$'000</i> (unaudited) | 31.12.2024 <i>HK\$'000</i> (audited) |
|----------------------------------|---------------------------------------------|--------------------------------------------|
| Trade receivables | 23,819 | 33,223 |
| Less: Loss allowance | (1,704) | (1,477) |
| Trade receivables, net | 22,115 | 31,746 |
| Bills receivables | 415 | – |
| Trade and bills receivables, net | 22,530 | 31,746 |
| Deposits | 3,809 | 3,739 |
| Prepayments | 4,028 | 3,735 |
| Value added tax recoverable | 4,378 | 5,501 |
| Advances to employees | 1,017 | 712 |
| Other receivables | 1,278 | 1,919 |
| | 14,510 | 15,606 |
| Trade and other receivables | 37,040 | 47,352 |

Retailing sales are mainly made at concession counters in department stores. The department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranging from 30 to 90 days. For distributors and wholesale sales, the Group allows a credit period up to 90 days to its trade customers, which may be extended to 180 days for selected customers.

The following is an aged analysis of trade and bills receivables net of loss allowance presented based on the invoice dates at the end of the reporting period.

| | 30.6.2025 <i>HK\$'000</i> (unaudited) | 31.12.2024 <i>HK\$'000</i> (audited) |
|-----------------|---------------------------------------------|--------------------------------------------|
| Within 30 days | 11,030 | 19,420 |
| 31 to 60 days | 4,724 | 6,417 |
| 61 to 90 days | 2,993 | 2,988 |
| 91 to 180 days | 2,491 | 1,597 |
| 181 to 365 days | 916 | 1,324 |
| Over 365 days | 376 | – |
| | 22,530 | 31,746 |

12. TRADE AND OTHER PAYABLES

| | 30.6.2025 <i>HK\$'000</i> (unaudited) | 31.12.2024 <i>HK\$'000</i> (audited) |
|----------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Trade payables | 10,950 | 13,685 |
| Bills payables | 17,579 | 24,324 |
| | <hr/> | <hr/> |
| Trade and bills payables | 28,529 | 38,009 |
| | <hr/> | <hr/> |
| Deposits received from customers | 1,800 | 1,841 |
| Accrued expenses | 3,855 | 7,803 |
| Salaries payables | 6,517 | 6,723 |
| Payable for acquisition of property, plant and equipment | 396 | 262 |
| Other payables | 3,341 | 645 |
| Contract liabilities | 470 | 423 |
| | <hr/> | <hr/> |
| | 16,379 | 17,697 |
| | <hr/> | <hr/> |
| Trade and other payables | 44,908 | 55,706 |
| | <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.

| | 30.6.2025 <i>HK\$'000</i> (unaudited) | 31.12.2024 <i>HK\$'000</i> (audited) |
|----------------|---------------------------------------------|--------------------------------------------|
| Within 30 days | 16,004 | 19,878 |
| 31 to 60 days | 3,015 | 6,811 |
| 61 to 90 days | 4,027 | 5,378 |
| 91 to 180 days | 4,614 | 4,593 |
| Over 180 days | 869 | 1,349 |
| | <hr/> | <hr/> |
| | 28,529 | 38,009 |
| | <hr/> | <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2025, the prolonged conflict in the Middle East, coupled with the U.S. proposal to significantly raise import tariffs on other countries, have cast a shadow over the global economy. This situation has dampened consumer confidence in the Greater China Region. However, benefited from the various initiatives to boost consumption and expand domestic demand, consumption promotional activities were frequent across Mainland China. As a result, the vitality of the consumer market saw a modest increase in the first half of 2025. Total retail sales of social consumer goods recorded a 5.0% year-on-year growth, while the Gross Domestic Product achieved a 5.3% year-on-year increase in Mainland China. During the Review Period, the trend for Hong Kong residents travelling abroad and consuming in Mainland China on weekends persisted. However, visitors to Hong Kong remained cautious in their spending, resulting in a very challenging business environment 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 publication of the annual report for the year ended 31 December 2024. During the Review Period, total sales of the Group amounted to HK\$109.0 million, representing a decrease of 3.5% as compared to HK\$112.9 million recorded for the corresponding period of 2024. During the Review Period, the loss attributable to owners of the Company was HK\$12.2 million, representing an increase of 39.4% as compared to the loss attributable to owners of the Company of HK\$8.8 million for the corresponding period of 2024.

Adjusted Sales Channels

As of 30 June 2025, the Group had a total of 160 points of sales ("POS") (31 December 2024: 155), among which 113 were self-operated POS and 47 were distributor-operated POS. During the Review Period, the Group has added 2 and 3 new distributor-operated POS in Northern China and Southern China, respectively, increasing the number of cities covered by POS to 36. During the Review Period, the Group's self-operated retail sales declined by 4.6% year-on-year due to weak consumer confidence in Hong Kong. As the distributor-operated POS faced a similarly challenging operating environment during the Review Period, and given the time required for new POS to develop, sales to distributors of the Group decreased by 26.6% year-on-year.

In respect of the online retail business, the Group's official online store in Hong Kong frequently launched themed promotional offers during the Review Period. Coupled with strengthened promotions of our membership program and with enthusiastic responses from customers, this led to a satisfactory increase in e-sales in Hong Kong. In Mainland China, the Group focused its resources on managing its self-operated online stores on prominent platforms such as TMall and JD.com. The business development of Casa Living New Retail (Guangdong) Co., Ltd. * (卡撒生活新零售(廣東)有限公司, "Casa Living"), a non-wholly owned subsidiary of the Group, had been delayed pending capital contributions from one of its new shareholders based on an agreed payment schedule. As a result, livestream sales activities in Mainland China had yet to resume normal operations. The overall e-sales of the Group during the Review Period remained relatively stable as compared to the corresponding period last year.

During the Review Period, the Group supplied items for giveaway campaigns and point redemption schemes to various commercial customers in Hong Kong, including beauty and health product corporates, convenience stores, electrical appliance brands, hotels and personal care products brands. In addition, the Group also provided original equipment manufacturing (OEM) products to a diverse range of customers. During the Review Period, benefited from the increase in wholesales in Mainland China, the sales to other customers by the Group increased by 21.5% as compared to the corresponding period last year.

Enhanced Product Mix

In order to safeguard consumers' health while sleeping, the Group has been striving for enhancement of functions of our products. CASA-V, the Group's self-developed brand, and its 5A functional products have been well-received by consumers since its launch. During the Review Period, the CASA-V brand has upgraded its product line with "7A Features", offering seven benefits: Antibacterial, Anti-aromatic amines, Anti-virus, Thermostatic, Anti-mite, Anti-fungal and Anti-odor. Notably, the antibacterial function has been upgraded to "AAAAAAA Grade Antibacterial Properties" of national hygienic requirements for safety of antibacterial textiles to provide users with enhanced protection.

During the Review Period, the sales of a series of cartoons bedding products continued to bring significant contribution to the Group's revenue. In the first half of 2025, the Group had launched products featuring the popular Japanese anime character "Chiikawa" again which received strong market demand and positively contributed to both the Group's revenue and brand promotion. During the Review Period, the in-house designed "Beloved Series" cartoon collection introduced the highly discussed new cartoon products of copybara, while also launching licensed products featuring the Japanese mascot "Fujiya Peko-chan" for the first time. The Group also participated in themed promotional activities for the 80th anniversary of "The Moomins" and the 75th anniversary of "The Peanuts" launched by different department stores in Hong Kong. However, sales of licensed and authorised brand products of the Group for the Review Period decreased by 12.4% year-on-year due to the decrease in overall retail sales in Hong Kong.

Strengthened Branded Leadership Position

The Group has consistently committed itself to providing consumers with high-quality products and attentive services over the years, and its effort has been well-recognised by the market. During the Review Period, the Group has been awarded with “Consumer Caring Scheme” from GS1 Hong Kong for the 14th consecutive year, along with the “10+ Years” Award. This recognition highlights the Group’s ongoing commitments to enhance product quality and service standards. In addition, we have also been awarded with “QTS Merchants of 20-year Accreditation” certificate under the “Quality Tourism Services” Scheme launched by the Quality Tourism Services Association of the Hong Kong Tourism Board. This recognition underscores the Group’s commitments to deliver high-quality services over the past 20 years.

PROSPECTS

To mitigate the impact of US tariffs in the first half of 2025, many domestic enterprises exported more goods in advance, leading to weakened export growth momentum in China in the second half of 2025. Additionally, the ongoing decline in domestic property investment and sales has heightened the risk of deterioration in China’s economic fundamentals. The impact of the 2024 consumer goods “trade-in” initiative launched by the government of the PRC on retail sales will diminish from the second half of 2025, while deflationary pressures are expected to intensify. The combination of these factors could result in a decline in demand within the economy of Mainland China. However, the government of the PRC has focused on implementing measures to expand domestic demand across different regions. In line with the Consumer Promotion Action Plan, these initiatives are intended to achieve “stabilising employment and raising income”, improve the consumption environment, boost the supply of high-quality consumer goods, and foster the sustained and healthy development of the consumer market. On the Hong Kong market, the persistent trend of residents spending abroad leads to frequent closures of restaurants and retail stores in the local market. This situation has created a more pessimistic outlook in the employment sector, resulting in weakened consumer confidence and greater caution among residents regarding personal and household expenditures. In the second half of 2025, the Group will adopt a prudent approach to focus on both revenue enhancement and cost control in order to proactively address challenges.

Mainland China

The Group plans to optimise certain underperforming POS in the second half of 2025. In view of the increasingly challenging operating environment for counters at department stores in Mainland China, the Group is also considering streamlining the scale of its self-operated counter network at department stores in the Southern district of Mainland China. At the same time, the Group will intensify recruitment of Casablanca Prestige Club members across its self-operated sales channels nationwide and comprehensively promote private domain sales. In terms of sales to distributors, the Group will encourage distributors to develop retail store sales channels and focus resources on expanding in the Southern and Eastern districts of Mainland China. In response to the current market conditions, the Group will introduce a joint operation model to distributors. Under this model, distributors will be responsible for store leasing, renovation, and operations, while the Group will provide comprehensive store management services, including unified pricing, promotional supports, merchandise management, and integrated online and offline sales arrangements. This joint operation model is expected to be launched initially in the Southern China region through retail stores.

In the area of wholesale business, the Group will focus on securing product orders and original equipment manufacturing (OEM) production orders from major chain store clients in the second half of 2025. In addition, the Group is in discussions with a well-known department store group in Mainland China regarding the procurement of the Group's branded products for sales through its 100 stores nationwide.

In terms of online business, the Group has requested various distributors and self-operated retail stores to jointly implement a local lifestyle livestreaming initiative. This program aims to achieve integration between online and offline channels in order to boost sales and drive traffic to physical POS.

Hong Kong

The Group's physical sales network in Hong Kong remains relatively stable, with the number of POS subject to adjustments by shopping malls and department stores. Due to the extended renovation period of Metropole Department Store in North Point, the Group opened one additional retail store in both North Point and Chai Wan in June to better serve consumers on Hong Kong Island.

In preparation for the traditional peak season for bedding sales during the second half of 2025, the Group will organise promotional activities for IP Festival cartoon products in August, in hopes of seizing the business opportunities brought by more frequent family outings during the summer holiday. In addition to participating in major promotional campaigns organised by various department stores in the second half of the year, the Group will launch its 32nd anniversary celebration campaign "30+ Dream CASA Love CASA Anniversary: Crafting Happiness with Artistry" in September, further promoting the Group's quality bedding products made with cotton and the CASA-V brand's 7A functional products. At the same time, initiatives will be carried out to educate consumers about bedding selection and cares, thereby reinforcing the Group's image as an industry-leading brand.

Adhering to its “Contemporary, Innovative and Functional” design concept, the Group strives to integrate sustainable growth, environmental protection and social responsibility in its business strategies to provide consumers with quality bedding products of fashionable designs and at reasonable prices, and home accessories that are trendy yet practical and beneficial to 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\$109.0 million (2024: HK\$112.9 million), which decreased by 3.5% 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 sales in Hong Kong and Macau.

Self-operated retail sales during the Period amounted to HK\$81.0 million (2024: HK\$84.9 million), accounted for approximately 74.4% (2024: 75.2%) of the total revenue, representing a decrease of 4.6% 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 amounted to HK\$12.2 million (2024: HK\$12.2 million) at almost the same level as the corresponding period last year. During the Period, sales to distributors decreased by 26.6% to HK\$5.4 million (2024: HK\$7.3 million) since our distributors faced the same difficult operating environment. Sales to others increased by 21.5% to HK\$10.4 million (2024: HK\$8.5 million) as a result of the improvement in wholesales in Mainland China.

In terms of brands, sales of our proprietary brands, which accounted for approximately 79.9% (2024: 80.0%) of the Group’s revenue, decreased by 3.6% to HK\$87.1 million (2024: HK\$90.3 million) due to the decrease in overall sales during the Period. Sales of our licensed and authorised brands decreased by 12.4% to HK\$19.6 million (2024: HK\$22.4 million) due to the decrease in retail sales in Hong Kong.

In terms of products, sales of bed linens and sales of duvets and pillows during the Period were HK\$60.2 million (2024: HK\$63.2 million) and HK\$43.4 million (2024: HK\$43.3 million) respectively. The reason for decrease in sales of bed linens by 4.7% during the Period was mainly due to the decrease in overall sales. During the Period, sales of other products decreased by 16.9% to HK\$5.3 million (2024: HK\$6.4 million). The decrease in sales of other products during the Period was mainly due to less sales of other products online.

In terms of regions, revenues during the Period were HK\$80.0 million (2024: HK\$85.4 million) from Hong Kong and Macau and HK\$28.9 million (2024: HK\$26.9 million) from Mainland China. The decrease in revenue from Hong Kong and Macau by 6.3% was attributable to the weak consumption sentiment in Hong Kong and Macau. The increase in revenue from Mainland China by 7.6% was primarily due to the increase in wholesales in Mainland China during the Period.

Gross Profit and Gross Profit Margin

During the Period, the Group achieved gross profit of HK\$72.7 million (2024: HK\$74.7 million) which decreased by 2.7%. The overall gross profit margin for the Period was at 66.7% (2024: 66.2%).

Other Income

Other income for the Period decreased by 55.9% to HK\$1.2 million (2024: HK\$2.8 million), mainly representing interest income of HK\$0.9 million (2024: HK\$0.8 million) and other miscellaneous income of HK\$0.3 million (2024: HK\$0.7 million). The significant decrease in other income for the Period was mainly attributable to the lack of rental income (2024: HK\$1.3 million) on early termination of a lease by tenant of Casablanca Smart Digital Eco-Park during the fourth quarter of 2024.

Other Gains

Other gains for the Period amounted to HK\$0.7 million (2024 losses: HK\$0.1 million), mainly representing the net exchange gain of HK\$0.8 million (2024 loss: HK\$0.9 million) and the net gains on disposal of assets and deregistration of a subsidiary of HK\$0.3 million (2024: HK\$0.6 million) offsetting the loss allowance on trade receivables of HK\$0.2 million (2024: HK\$0.5 million) and the net loss at FVTPL of HK\$0.2 million (2024 gain: HK\$0.8 million).

Expenses

Selling and distribution costs for the Period maintained at the similar level at HK\$64.9 million (2024: HK\$64.5 million), while administrative expenses for the Period slightly increased by 1.1% to HK\$22.0 million (2024: HK\$21.8 million) as compared to the corresponding period last year.

Loss for the Period

The Group's loss for the Period increased by 44.2% to HK\$13.4 million (2024: HK\$9.3 million) as a result of the decline in overall revenue of the Group and the decrease in other income. The loss attributable to owners of the Company for the Period increased by 39.4% to HK\$12.2 million (2024: HK\$8.8 million).

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 2025.

| | As at 30 June 2025 HK\$'000 | As at 31 December 2024 HK\$'000 |
|-------------------------------------------------|------------------------------------------------|----------------------------------------------------|
| Total bank borrowings | 3,024 | 3,193 |
| Pledged bank deposits and bank balance and cash | 134,882 | 137,608 |
| Total assets | 430,524 | 448,366 |
| Total liabilities | 72,235 | 83,656 |
| Total equity | 358,289 | 364,710 |
| Current ratio | 3.6 | 3.4 |
| Gearing ratio (<i>Note</i>) | 0.8% | 0.9% |

Note: Gearing ratio is calculated as total bank borrowings divided by total equity. The Group was at net cash position, with pledged bank deposits and bank balances and cash more than total borrowings, at 30 June 2025 and 31 December 2024.

As at 30 June 2025, the pledged bank deposit of the Group was approximately HK\$5.3 million (31 December 2024: HK\$8.3 million), which was denominated in RMB (31 December 2024: HKD and RMB), and the bank balances and cash of the Group were approximately HK\$129.6 million (31 December 2024: HK\$129.3 million) which were denominated mainly in HKD and RMB, except for about 0.4% (31 December 2024: 0.5%) in United States Dollar, Pound Sterling and Euro.

As at 30 June 2025, the bank borrowings of the Group were approximately HK\$3.0 million (31 December 2024: HK\$3.2 million), which were denominated as to 100.0% in RMB with all balances repayable not more than three years, for strengthening the cashflow of the PRC factory of the Group. Despite loss for the Period, the Group had healthy financial position during the Period with available net cash about HK\$131.9 million as at 30 June 2025 (31 December 2024: HK\$134.4 million) which would be sufficient for its present operations in absence of unforeseen circumstances.

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 2.9% against HKD during the Period (the year of 2024: depreciated by about 3.3%). The management is aware of the possible exchange rate exposure on RMB and its impact on the performance of the Group.

Reference is made to the announcement entitled "Discloseable Transaction – FX Foreign Contract" published by the Company on 17 January 2025, the Group entered into a foreign exchange forward contract with a bank in Hong Kong in the principal amount of RMB14 million to be settled on 30 December 2025 as a hedging arrangement. The aim of such hedging arrangement is to mitigate RMB/HKD currency risk arising from loans in RMB to a subsidiary in the PRC. The financial liability at the FVTPL at 30 June 2025 was the unrealised loss on the foreign exchange forward contract. Owing to the appreciation of RMB against HKD during the Period, the Group recorded the unrealised exchange gain on RMB loans to the PRC subsidiary which was partially offset by the unrealised loss on the foreign exchange forward contract. The Board will closely monitor the situation and the hedging arrangement to see if any further action is required.

Pledge of Assets

As at 30 June 2025, no leasehold land and buildings were pledged to banks as securities for banking facilities granted to the Group (31 December 2024: Nil). The Group had pledged only its fixed deposits with an aggregate value of HK\$5.3 million (31 December 2024: HK\$8.3 million) to certain banks to secure banking facilities granted to the Group at 30 June 2025.

Contingent Liabilities

As at 30 June 2025, the Group did not have any significant contingent liabilities.

Employee and Remuneration Policy

As at 30 June 2025, the employee headcount of the Group was 513 (2024: 522) and the total staff costs, including Directors' remuneration, amounted to HK\$42.9 million (2024: HK\$43.0 million). The decrease in the employee headcount was mainly due to a reduction of employees employed in Mainland China for manufacturing during the Period.

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 2025, 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 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 2025, the Group had total investments with fair value of HK\$1.0 million (31 December 2024: HK\$1.8 million) which were not more than 5% of the Group's total assets. The decrease in financial assets at FVTPL was mainly attributable to the disposal of investments in listed shares during the Period. 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\$0.1 million (2024: 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 2025, 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 2025, the investment properties of the Group with total carrying amount of HK\$18.4 million (31 December 2024: HK\$18.4 million) were vacant on offer for leasing out.

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 Discloseable Transaction in relation to Joint Venture Company

Reference is made to the relevant disclosures in the 2024 Annual Report of the Company in relation to the joint venture company (a non-wholly-owned subsidiary of the Group). According to the Cooperation Agreement, 北京上東嘉禾文化發展有限公司 (Beijing East Jiahe Cultural Development Co., Ltd.*) (“Beijing East Jiahe”) shall make its committed capital contributions in the total amount of RMB3,300,000 to Casa Living in cash before 31 December 2024. As disclosed in the 2024 Annual Report of the Company, Beijing East Jiahe only paid RMB1,350,000 as part of its committed capital contribution to Casa Living up to 25 March 2025 and Casa Living agreed to extend the deadline for its payment of the remaining balance of committed capital contribution of RMB1,950,000 to a date not later than 30 April 2025. After taking into account the totality of circumstances, Casa Living has agreed to further extend the deadline for payment of the remaining balance of committed capital contribution of RMB1,950,000 until 30 September 2025 on the request by Beijing East Jiahe.

As at the date of this announcement, the Board considers that the delay in payment by Beijing East Jiahe 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

PURCHASE, SALES 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.

CHANGE OF COMPOSITION OF THE NOMINATION COMMITTEE

Reference is made to the announcement entitled "Change of Composition of the Nomination Committee" published by the Company on 30 June 2025, the Board appointed Ms. Wong Pik Hung, an Executive Director, as a member of the nomination committee of the Company (the "Nomination Committee") with effect from 30 June 2025. Subsequent to the appointment, the Nomination Committee comprises three Independent Non-executive Directors, including Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa, and two Executive Directors, including Mr. Cheng Sze Kin, the chairman of Nomination Committee, and Ms. Wong Pik Hung, and Directors of different genders.

UPDATE ON DIRECTORS' INFORMATION

There is no change in information of the Directors since 31 December 2024 pursuant to Rule 13.51B of the Listing Rules.

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 2025.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2025 have been reviewed by our auditor, 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, 22 August 2025

As at the date of this announcement, the Board comprises Mr. Cheng Sze Kin (Chairman), Mr. Cheng Sze Tsan (Vice-chairman) and Ms. Wong Pik Hung as Executive Directors, and Mr. Lo Siu Leung, Dr. Cheung Wah Keung and Mr. Chow On Wa as Independent Non-executive Directors.