

CASABLANCA

GROUP LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS

WITH LIMITED LIABILITY)

STOCK CODE: 2223

INTERIM REPORT 2024



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About Casablanca

Casablanca Group Limited, since its establishment in 1993 in Hong Kong, primarily engages in designing, manufacturing, distribution and retailing of bedding products with a focus on the high-end and premium markets under its proprietary “Casa Calvin”, “Casablanca” and “CASA-V” brands. The Group’s products include three main categories: bed linens, duvets and pillows, and home accessories. The Group is one of the leading branded bedding products companies in the Mainland China and Hong Kong.



MANAGEMENT DISCUSSION AND ANALYSIS

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**”).

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 (for the purpose of this report, comprising Mainland China, Hong Kong and Macau). 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 declined by 9.8% year-on-year. Owing to the reduction in number of distributor-operated POS during the Review Period, the Group’s sales to distributors’ decreased by 8.0% year-on-year.

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 had products under different 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 of Hong Kong Limited (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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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 report, the judgment in respect of the Litigation has not been handed down by the Huicheng District Court.

As at the date of this report, 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 Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules"**) as and when appropriate.

* For identification purpose only.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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, 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.

Share Option Scheme

At the annual general meeting of the Company held on 6 June 2022, a share option scheme had been approved and adopted as the Company's share option scheme with a life for 10 years until 5 June 2032 (the "2022 Share Option Scheme"). As at 1 January 2024 and 30 June 2024, the number of options available for future grant(s) under the 2022 Share Option Scheme was 19,585,400 and the total number of shares of the Company (the "Shares") that might be issued under the 2022 Share Option Scheme was 25,785,400 Shares, representing 10% of the issued Shares of the Company as at the date of this report.

Save for the 2022 Share Option Scheme, the Company does not have other share schemes (as defined in Chapter 17 of the Listing Rules) nor other outstanding share option/award.

Particulars of the 2022 Share Option Scheme are set out in note 16 to the consolidated financial statements. The following table discloses movements in the Company's share options during the Period:

	Date of grant	Vesting/ Exercise period (Note 4)	Exercise price (HK\$)	Number of options at 1.1.2024	Movement during the Period				Number of options as at 30.6.2024
					Granted	Cancelled	Exercised	Lapsed	
Directors and Chief Executives									
Mr. Cheng Sze Kin	6.7.2023	6.7.2024-5.7.2028	0.37	1,400,000	-	-	-	-	1,400,000
Mr. Cheng Sze Tszan	6.7.2023	6.7.2024-5.7.2028	0.37	1,400,000	-	-	-	-	1,400,000
Ms. Wong Pik Hung	6.7.2023	6.7.2024-5.7.2028	0.37	1,400,000	-	-	-	-	1,400,000
Total Directors and Chief Executives				4,200,000	-	-	-	-	4,200,000
Employees									
	6.7.2023	6.7.2024-5.7.2028	0.37	2,000,000	-	-	-	-	2,000,000
Total				6,200,000	-	-	-	-	6,200,000



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. No grantees were granted and to be granted share options in excess of the 1% individual limit.
2. Related entity participants or service providers are not eligible participants under the 2022 Share Option Scheme.
3. Save as disclosed above, no share options were granted and to be granted to other Directors, chief executive or substantial shareholders of the Company, or their respective associates.
4. The options, granted on 6 July 2023, are exercisable from 6 July 2024 to 5 July 2028 (both days inclusive) in the following manner:
 - (i) 50% of the options granted were vested on and are exercisable from 6 July 2024; and
 - (ii) 50% of the options granted shall be vested on and exercisable from 6 July 2025.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2024, the interests and short positions of the Directors and the chief executives of the Company and their associates in the Shares, underlying Shares and debentures and share options of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 of the Listing Rules (the "**Model Code**"), were as follows:

Long positions

(a) Shares

Name of Directors	Nature of interest	Number of Shares held/interested	Percentage of the issued share capital of the Company <small>(Note 4)</small>
Mr. Cheng Sze Kin ^(Note 1)	Beneficial interest	4,500,000	1.7%
	Spouse interest	3,375,000	1.3%
	Interest in a controlled corporation	150,000,000	58.2%
		157,875,000	61.2%
Mr. Cheng Sze Tsan ^(Note 2)	Beneficial interest	4,125,000	1.6%
	Interest in a controlled corporation	150,000,000	58.2%
		154,125,000	59.8%
Ms. Wong Pik Hung ^(Note 3)	Beneficial interest	3,375,000	1.3%
	Spouse interest	154,500,000	59.9%
		157,875,000	61.2%

(b) Share options

Name of Directors	Nature of interest	Number of options held/interested	Number of underlying Shares interested
Mr. Cheng Sze Kin ^(Note 1)	Beneficial interest	1,400,000	1,400,000
	Spouse interest	1,400,000	1,400,000
		2,800,000	2,800,000
Mr. Cheng Sze Tsan ^(Note 2)	Beneficial interest	1,400,000	1,400,000
Ms. Wong Pik Hung ^(Note 3)	Beneficial interest	1,400,000	1,400,000
	Spouse interest	1,400,000	1,400,000
		2,800,000	2,800,000



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Mr. Cheng Sze Kin is interested in 40% of World Empire Investment Inc. ("**World Empire**"), a holder of 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Therefore, Mr. Cheng Sze Kin is deemed to be interested in such 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Mr. Cheng Sze Kin is also the beneficial owner of 4,500,000 Shares, representing 1.7% of the Company's issued share capital, and holds options granted under the 2022 Share Option Scheme to subscribe for 1,400,000 Shares. Mr. Cheng Sze Kin is deemed to be interested in the 3,375,000 Shares held by Ms. Wong Pik Hung (his spouse), representing 1.3% of the Company's issued share capital; and the options granted to his spouse, Ms. Wong Pik Hung, under the 2022 Share Option Scheme to subscribe for 1,400,000 Shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.
- (2) Mr. Cheng Sze Tsan is interested in 35% of World Empire, a holder of 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Therefore, Mr. Cheng Sze Tsan is deemed to be interested in such 150,000,000 Shares, representing 58.2% of the Company's issued share capital. Mr. Cheng Sze Tsan is also the beneficial owner of 4,125,000 Shares, representing 1.6% of the Company's issued share capital, and holds options granted under the 2022 Share Option Scheme to subscribe for 1,400,000 Shares. However, Mr. Cheng Sze Tsan has confirmed that he will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.
- (3) Ms. Wong Pik Hung is the spouse of Mr. Cheng Sze Kin and is interested in 25% of the equity interest in World Empire, thus, Ms. Wong Pik Hung is deemed to be interested in 150,000,000 Shares held by World Empire in which Mr. Cheng Sze Kin is indirectly interested, representing 58.2% of the Company's issued share capital. Ms. Wong Pik Hung holds 3,375,000 Shares, representing 1.3% of the Company's issued share capital, and holds options granted under the 2022 Share Option Scheme to subscribe for 1,400,000 Shares. Ms. Wong Pik Hung is deemed to be interested in the 4,500,000 Shares held by Mr. Cheng Sze Kin (her spouse), representing 1.7% of the Company's issued share capital; and the options granted to her spouse, Mr. Cheng Sze Kin, under the 2022 Share Option Scheme to subscribe for 1,400,000 Shares. However, each of Mr. Cheng Sze Kin and Ms. Wong Pik Hung has confirmed that he/she will not exercise any option if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.
- (4) The percentage is calculated on the basis of 257,854,000 Shares in issue at 30 June 2024.

Save as disclosed above, none of the Directors, chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as at 30 June 2024.

Substantial Shareholders and Other Persons

As at 30 June 2024, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executives of the Company, the following Shareholders had notified the Company of relevant interests and underlying Shares in the issued share capital of the Company.

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares held	Percentage of the issued share capital of the Company <small>(Note 2)</small>
World Empire <small>(Note 1)</small>	Beneficial owner	150,000,000	58.2%

Notes:

- (1) World Empire is a company incorporated in the British Virgin Islands, the issued share capital of which is owned as to 40%, 35% and 25% by Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung, respectively.
- (2) The percentage is calculated on the basis of 257,854,000 Shares in issue at 30 June 2024.

Save as disclosed above, as at 30 June 2024, the Company has not been notified by any persons/entities (other than interests disclosed above by certain Directors or the chief executive of the Company) who held an interest or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

Update on Directors' Information

There is no change in information of the Directors since 31 December 2023 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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. 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 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.

Board of Directors

As at the date of this report, 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.

By Order of the Board

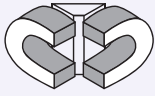
Casablanca Group Limited

Cheng Sze Kin

Chairman

Hong Kong, 23 August 2024

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

Level 35, Tower 1, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
香港九龍九龍灣宏照道38號企業廣場5期1座35樓

TO THE BOARD OF DIRECTORS OF CASABLANCA GROUP LIMITED

卡撒天嬌集團有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Casablanca Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 19 to 41, which comprises the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

CHENG & CHENG LIMITED

Certified Public Accountants

Chan Shek Chi

Practising Certificate number P05540

Hong Kong

23 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		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	7	(913)	(573)
Loss before taxation	8	(9,753)	(11,253)
Taxation	9	486	68
Loss for the period		(9,267)	(11,185)
Other comprehensive expense			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
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)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
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	11		
– 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)
Non-current assets			
Property, plant and equipment	12	151,283	157,715
Right-of-use assets	12	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
		215,014	214,113
Current assets			
Inventories		53,996	59,937
Trade and other receivables	13	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
		225,015	252,162
Current liabilities			
Trade and other payables	14	45,862	67,520
Lease liabilities		13,867	9,749
Taxation payable		392	287
		60,121	77,556
Net current assets		164,894	174,606
Total assets less current liabilities		379,908	388,719

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		12,989	7,490
Deferred tax liabilities		448	476
		13,437	7,966
Net assets		366,471	380,753
Capital and reserves			
Share capital	15	25,785	25,785
Reserves		344,340	358,132
Equity attributable to owners of the Company		370,125	383,917
Non-controlling interests		(3,654)	(3,164)
Total equity		366,471	380,753

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company										Non-controlling interest	Total
	Share Capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Translation reserve	Share options reserve	Accumulated profits	Subtotal			
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000 (Note iii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024 (audited)	25,785	165,956	2,000	1,319	4,527	(22,823)	344	206,809	383,917	(3,164)	380,753	
Changes in equity for the six months ended 30 June 2024:												
Loss for the period	-	-	-	-	-	-	-	(8,766)	(8,766)	(501)	(9,267)	
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	(4,736)	-	-	(4,736)	11	(4,725)	
Release of translation reserve upon deregistration of a subsidiary	-	-	-	-	-	(634)	-	-	(634)	-	(634)	
Total comprehensive expense for the period	-	-	-	-	-	(5,370)	-	(8,766)	(14,136)	(490)	(14,626)	
Recognition of equity-settled shared-based payments	-	-	-	-	-	-	344	-	344	-	344	
At 30 June 2024 (unaudited)	25,785	165,956	2,000	1,319	4,527	(28,193)	688	198,043	370,125	(3,654)	366,471	
At 1 January 2023 (audited)	25,785	165,956	2,000	1,319	4,527	(17,029)	445	211,004	394,007	1,755	395,762	
Changes in equity for the six months ended 30 June 2023:												
Loss for the period	-	-	-	-	-	-	-	(8,638)	(8,638)	(2,547)	(11,185)	
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	(9,296)	-	-	(9,296)	(90)	(9,386)	
Total comprehensive expense for the period	-	-	-	-	-	(9,296)	-	(8,638)	(17,934)	(2,637)	(20,571)	
At 30 June 2023 (unaudited)	25,785	165,956	2,000	1,319	4,527	(26,325)	445	202,366	376,073	(882)	375,191	

Notes:

- (i) The capital reserve represents the waiver of the amount due to a related company.
- (ii) The merger reserve of the Group represented the difference between the par value of the shares of Company issued in exchange for the entire share capital of Jollirich Investment Limited, Casablanca International Limited and Rich Creation Asia Investment Limited and transfer of 11.76% of equity interest in a deregistered company in Mainland China pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").
- (iii) According to the relevant requirements in the Articles of Association of the Group's subsidiaries in Mainland China, a portion of their profits after taxation is transferred to statutory reserve. The transfer must be made before the distribution of a dividend to equity owners. The statutory reserve fund can be used to make up the prior year losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Net cash from operating activities	1,660	7,254
Net cash from/(used in) investing activities		
Placement of pledged bank deposits	(9,754)	(10,630)
Deposit paid for acquisition of property, plant and equipment	(99)	(285)
Proceed from disposal of property, plant and equipment	40	60
Purchase of property, plant and equipment	(1,888)	(6,830)
Withdrawal of pledged bank deposits	12,593	10,662
Dividend received	12	417
Interest received	736	570
	1,640	(6,036)
Net cash used in financing activities		
New bank loan raised	6,000	–
Repayments of bank borrowings	(6,000)	(5,306)
Repayments of lease liabilities	(7,748)	(7,714)
Interest paid	(913)	(573)
	(8,661)	(13,593)
Net decrease in cash and cash equivalents	(5,361)	(12,375)
Cash and cash equivalents at beginning of the period	123,201	139,233
Effect of foreign exchange rate changes	(62)	(258)
Cash and cash equivalents at end of the period, represented by bank balances and cash	117,778	126,600

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 on The Stock Exchange of Hong Kong Limited.

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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, 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, Hong Kong and Macau, and sales made to overseas customers.

4. REVENUE AND SEGMENT INFORMATION (Continued)

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
	112,912	128,861

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue (Continued)

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

5. OTHER INCOME

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

6. OTHER LOSSES

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (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	–
	(55)	(1,691)

7. FINANCE COSTS

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Interest on:		
Bank borrowings	9	96
Lease liabilities	904	477
Total finance costs	913	573

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (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	42,981	44,873
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	8,284	10,197

9. 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	–
Deferred taxation	271 (757)	504 (572)
	(486)	(68)

9. TAXATION (Continued)

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 ("PRC") on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25%.

10. 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).

11. 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	(8,766)	(8,638)

	Six months ended 30 June	
	2024	2023
Number of shares Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	257,854,000	257,854,000

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of lease agreements for use as retail stores, department store counter and directors' quarters, and therefore recognised the additions of right-of-use assets of HK\$17,415,000 (six months ended 30 June 2023: HK\$10,701,000).

The leases of retail stores and department store counters contain variable lease payment terms that are based on sales generated from the retail stores and department store counters and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores and department store counters in Hong Kong and Mainland China where the Group operates. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2024		
	Fixed payments HK\$'000	Variable payments HK\$'000	Total payments HK\$'000
Retail stores and rented premises without variable lease payments	2,586	–	2,586
Retail stores with variable lease payments	4,731	15	4,746
Department store counters with variable lease payments	6,701	8,269	14,970
	14,018	8,284	22,302
	Six months ended 30 June 2023		
	Fixed payments HK\$'000	Variable payments HK\$'000	Total payments HK\$'000
Retail stores and rented premises without variable lease payments	2,528	–	2,528
Retail stores with variable lease payments	4,403	2	4,405
Department store counters with variable lease payments	6,765	10,195	16,960
	13,696	10,197	23,893

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

(b) Acquisitions of owned assets

During the six months ended 30 June 2024, the Group acquired property, plant and equipment with an aggregate cost of HK\$2,452,000 (six months ended 30 June 2023: HK\$22,998,000), which mainly included the cost of leasehold improvements of retail stores and a factory building amounted to HK\$1,216,000 in aggregate and cost of motor vehicles amounted to HK\$788,000 (six months ended 30 June 2023: cost of decoration and facilities of the new factory building amounted to HK\$19,322,000).

13. TRADE AND OTHER RECEIVABLES

	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
Trade receivables	22,112	35,553
Less: Loss allowance	(1,413)	(897)
Trade receivables, net	20,699	34,656
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
	17,176	17,179
Trade and other receivables	37,875	51,835

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE AND OTHER RECEIVABLES (Continued)

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 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (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
	20,699	34,656

14. TRADE AND OTHER PAYABLES

	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
Trade payables	10,380	17,090
Bills payables	17,264	27,274
Trade and bills payables	27,644	44,364
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
	18,218	23,156
Trade and other payables	45,862	67,520

The credit period of trade and bills payables is from 30 to 180 days.

14. TRADE AND OTHER PAYABLES (Continued)

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 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (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
	27,644	44,364

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	500,000,000	50,000
Issued and fully paid:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	257,854,000	25,785



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. SHARE OPTION SCHEMES

A share option scheme (the “**2012 Share Option Scheme**”) was adopted pursuant to the sole shareholder’s resolution passed on 22 October 2012 for the primary purpose of providing incentives or rewards to directors or eligible employees, motivating the eligible participants to optimise their performance efficiency for the benefit of the Company and attracting and retaining with the eligible participants. The 2012 Share Option Scheme was terminated pursuant to an ordinary resolution by the shareholders of the Company passed on 6 June 2022. The principal terms of the 2012 Share Option Scheme are as follows:

- (i) the 2012 Share Option Scheme is valid for 10 years from 22 October 2012 and was terminated with effect from 6 June 2022;
- (ii) options may be exercised at any time during a period commencing on or after the date on which the option is accepted and granted and expiring on a date to be notified by the Board of Directors to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted;
- (iii) the exercise price of the share option will be determined at the highest of the closing price of the Company’s shares on the Stock Exchange on the date of grant and the average of closing prices of the Company’s shares on the Stock Exchange on the five business days immediately preceding the date of grant of the option;
- (iv) the maximum number of shares in respect of which options may be granted shall not exceed 20,000,000 shares representing 10% of the total number of shares in issue at the date of listing of the shares of the Company on the Main Board of the Stock Exchange (representing 7.76% of the issued shares of the Company as at the date of this interim report);
- (v) any offer of share options may be accepted in writing received by any director or the secretary of the Company on the date specified in the offer and the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant upon acceptance of the options;
- (vi) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant; and
- (vii) the Board of Directors may, at its discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and/or any other conditions (including the exercise price) that must be fulfilled before an option can be exercised.

16. SHARE OPTION SCHEMES (Continued)

A share option scheme (the “**2022 Share Option Scheme**”) was adopted pursuant to the ordinary resolution by the shareholders of the Company passed on 6 June 2022 for the primary purpose of providing incentives or rewards to directors, other than independent non-executive directors, or eligible employees for their contribution to future development and expansion of the Group, motivating the eligible participants to optimise their performance efficiency for the benefit of the Company and attracting and retaining with the eligible participants. The principal terms of the 2022 Share Option Scheme are as follows:

- (i) the 2022 Share Option Scheme is valid for 10 years from 6 June 2022;
- (ii) options may be exercised at any time during a period commencing on or after the date on which the option is accepted and granted and expiring on a date to be notified by the Board of Directors to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted;
- (iii) the exercise price of the share option will be determined at the highest of the closing price of the Company’s shares on the Stock Exchange on the date of grant and the average of closing prices of the Company’s shares on the Stock Exchange on the five business days immediately preceding the date of grant of the option;
- (iv) the maximum number of shares in respect of which options may be granted shall not exceed 25,785,400 shares representing 10% of the total number of shares in issue at the date of adoption of the 2022 Share Option Scheme;
- (v) any offer of share options may be accepted in writing received by any director or the secretary of the Company on the date specified in the offer and the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant upon acceptance of the options;
- (vi) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant; and
- (vii) the Board of Directors may, at its discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and/or any other conditions (including the exercise price) that must be fulfilled before an option can be exercised.

At 30 June 2024, the numbers of shares in respect of which options had been granted and remained outstanding under the 2022 Share Option Scheme were 6,200,000 (31 December 2023: 6,200,000) which totally representing 2.4% (31 December 2023: 2.4%) of the shares of the Company in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. SHARE OPTION SCHEMES (Continued)

The following table discloses movements of the Company's share options held by directors of the Company and employees of the Group during both periods:

For the six months ended 30 June 2024

Categories of participants	Date of grant	Exercisable period	Exercise price HK\$	Number of share options		Outstanding at 30.6.2024
				Outstanding at 1.1.2024	Lapsed during the period	
Under the 2022 Share Option Scheme						
Executive directors	6.7.2023	6.7.2024-5.7.2028	0.37	2,100,000	–	2,100,000
	6.7.2023	6.7.2025-5.7.2028	0.37	2,100,000	–	2,100,000
Employees	6.7.2023	6.7.2024-5.7.2028	0.37	1,000,000	–	1,000,000
	6.7.2023	6.7.2025-5.7.2028	0.37	1,000,000	–	1,000,000
				6,200,000	–	6,200,000

For the six months ended 30 June 2023

Categories of participants	Date of grant	Exercisable period	Exercise price HK\$	Number of share options		Outstanding at 30.6.2023
				Outstanding at 1.1.2023	Lapsed during the period	
Under the 2012 Share Option Scheme						
Executive directors	2.7.2020	2.7.2020-1.7.2023	0.48	4,200,000	–	4,200,000
Independent non-executive directors	2.7.2020	2.7.2020-1.7.2023	0.48	750,000	–	750,000
Employee	2.7.2020	2.7.2020-1.7.2023	0.48	300,000	–	300,000
				5,250,000	–	5,250,000

The outstanding share options as at 30 June 2023 were lapsed during the year ended 31 December 2023.

17. CAPITAL COMMITMENT

	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	212	242

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	30.6.2024 Level 1 and total HK\$'000 (unaudited)	31.12.2023 Level 1 and total HK\$'000 (audited)
Financial asset at fair value through profit or loss		
– Equity securities listed in Hong Kong	7,129	6,325

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2023: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following related party transactions:

Name of related companies	Relationship	Nature of balances	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
Gain Harvest Investment Limited	Related company (Note a)	Lease liabilities (Note b)	3,016	–
Wealth Pine Asia Limited	Related company (Note a)	Lease liabilities (Note b)	2,139	–

Notes:

- (a) Mr. Cheng Sze Kin, Mr. Cheng Sze Tsan and Ms. Wong Pik Hung (the “**Ultimate Beneficial Owners**”) have directorship and beneficial and controlling interests in these related companies.
- (b) The lease contracts related to the directors' quarters provided to the Ultimate Beneficial Owners were classified as right-of-use assets. The rental payments paid to the related companies for the six months ended 30 June 2024 were HK\$1,128,000 (six months ended 30 June 2023: HK\$1,074,000).

19. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors and other member of key management during the period was as follows:

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Salaries and allowances (Note)	6,157	6,013
Retirement benefit schemes contributions	419	416
Share based payments	263	–
	6,839	6,429

Note:

The rental payments of HK\$1,128,000 paid for the directors' quarters for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$1,074,000) are included in the amount.

CORPORATE INFORMATION

Stock Code

2223

Board of Directors

Executive Directors

Mr. Cheng Sze Kin (*Chairman*)

Mr. Cheng Sze Tsan

(*Vice-chairman and Chief Executive Officer*)

Ms. Wong Pik Hung

Independent Non-executive Directors

Mr. Lo Siu Leung

Dr. Cheung Wah Keung

Mr. Chow On Wa

Committees

Audit Committee

Mr. Lo Siu Leung (*Chairman*)

Dr. Cheung Wah Keung

Mr. Chow On Wa

Remuneration Committee

Dr. Cheung Wah Keung (*Chairman*)

Mr. Lo Siu Leung

Mr. Chow On Wa

Nomination Committee

Mr. Cheng Sze Kin (*Chairman*)

Mr. Lo Siu Leung

Dr. Cheung Wah Keung

Mr. Chow On Wa

Investment Committee

Mr. Cheng Sze Kin (*Chairman*)

Mr. Cheng Sze Tsan

Mr. Chow On Wa

Company Secretary

Mr. Ho Yiu Leung

Authorised Representatives

Ms. Wong Pik Hung

Mr. Ho Yiu Leung

Registered Office

PO Box 309, Ugland House

Grand Cayman KY1-1104

Cayman Islands

Headquarters and Principal Place of Business

5/F Yan Hing Centre

9-13 Wong Chuk Yeung Street

Fotan, New Territories

Hong Kong

Auditor

CHENG & CHENG LIMITED,

Certified Public Accountants

Level 35, Tower 1, Enterprise Square Five,

38 Wang Chiu Road, Kowloon Bay, Kowloon.,

Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited

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Cricket Square

Grand Cayman KY1-1102

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited

Suites 3301-04, 33/F,

Two Chinachem Exchange Square,

338 King's Road,

North Point, Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited

Standard Chartered Bank (China) Limited

Bank of China (Hong Kong) Limited

Bank of China Limited

Company Website

www.casablanca.com.hk